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SPECIAL CONVENTION ISSUE

Wm. F. Buckley Jr. on Walsh's Witchhunt

NATIONAL REVIEW

THE REAL REAGAN RECORD

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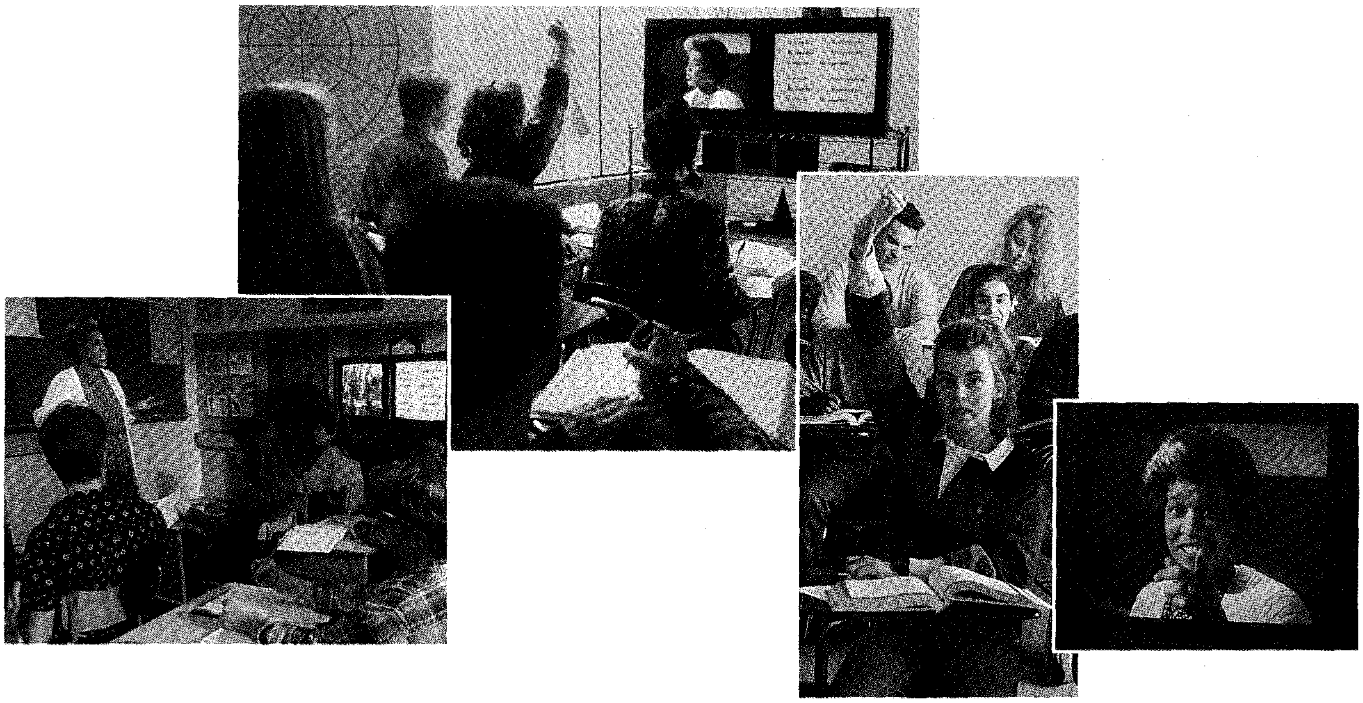

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NATIONAL REVIEW

AUGUST 31, 1992 VOL. XLIV, NO. 17

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The Real Reagan Record

Somewhere between the factory floor and the front page, an economic boom became a tragedy. *NR* asked **Ed Rubenstein** to examine the myths of Reaganomics. He called in some help.

25 ***Upstarts and Downstarts***
The poor did not get poorer under Reagan—in fact, many got rich. **Alan Reynolds** exposes the critics' legerdemain—like beginning the Reagan era in 1977. . . . **June O'Neill** identifies the real threats to low-wage workers.

31 ***Debt, Lies, and Inflation***
Paul Craig Roberts points out that U.S. public and private debt is *lower* than that of our peers.

35 ***To Cut and to Please***
The tax cuts couldn't have caused the deficit: **Norman B. Ture** notes that revenues doubled in the Eighties, but domestic spending grew faster. . . . **Edward Gillespie & Christopher Frenze** show how the tax cuts helped upward mobility.

40 ***High Yield or Junk?***
Glenn Yago explains how junk bonds helped entrepreneurs save factories and create jobs while big business was cutting both.

45 ***Heads I Win, Tails You Lose***
The savings-and-loan industry was doomed while Reagan was still a liberal Democrat, observes **William Niskanen**.

48 ***Decade of Greed?***
If we were so greedy, asks **Richard B. McKenzie**, why did charitable giving boom?

52 ***Inventing Homelessness***
The Left, **Carl Horowitz** shows, has no real desire to measure—or understand—the homeless problem. . . . **Annelise Anderson** shows that federal spending on housing actually grew.

54 ***Barbarians Within***
President Reagan, sighs **Peter Samuel**, didn't use his best weapon against environmentalism: science.

56 ***Fear of the Foreign***
The trade deficit, says **Evan Galbraith**, is a) not there, b) going away, and c) a good thing.

58 ***When the Losers Write the History***
Martin Anderson wonders why Reagan's critics explode when asked to prove their claims.

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63 *The Volcano Lover* has its good points, but **John Simon** deems Susan Sontag too clever for the good of her novel. . . . In the work of Eric Marcus and Neil Miller, **Matthew Parris** finds truths that neither conservatives nor gays dare speak. . . . *Castro's Final Hour*, Andres Oppenheimer's first-rate report on the health of Cuba under Communism, saddens **Christopher Caldwell**. . . . Joe Queenan's talent sometimes pops through in his Dan Quayle book, *Imperial Caddy*, but **Joseph Sobran** suspects there may be a road less traveled. . . . **John Simon** prefers a good pop movie to an art film that chokes on style. . . . Don't call **Taki** for a karate match: he's too spiritual.

80 ***The Misanthrope's Corner***
Equality, complains **Florence King**, can ruin even sin.

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LETTERS

In Defense of Quayle

As a NATIONAL REVIEW senior editor, I feel obliged to voice my strong disagreement with the editorial urging Vice President Quayle to step down ["Dropping the Co-Pilot?" Aug. 17].

Dan Quayle has done a good job and has been an effective advocate for conservative causes. The editorial itself is filled with praise for Mr. Quayle. The argument that Vice President Quayle should step aside, then, is not based on cause or justice; it is based instead on a reluctant acceptance of "political facts" —many of which are dubious and have been concocted, the editorial concedes, by liberal critics of the Vice President (and also, one can assume, liberal critics of *NR*). That is normally the kind of argument *NR* is quick to reject.

Calls for the Vice President's resignation are unjust and politically unwise. He will be on the Republican ticket in November, and George Bush deserves credit for keeping him there.

William J. Bennett
Washington, D.C.

PC CIA

In his review of *Patriot Games*, John Simon notes that the film is careful to include black actors whenever a social scene or CIA headquarters appears ["From Paramilitary to Paraplegic," July 20]. Black-counting can be an interesting game, but in this movie such diversity is both realistic and pleasing: realistic, because blacks are strongly represented in government employ, and pleasing, because it implies that the director of the CIA *should* be a role model for America's disadvantaged youth. Twenty years ago, what would have been the politically correct portrayal of a CIA director launching a pre-emptive peacetime strike on a Third World liberation camp? Not a black man named Greer, but a blue-eyed man named Doberman or Schreck. That's progress.

Eric Rasmusen
Bloomington, Ind.

Another Con

John Barnes's article, "Proportional Deception" [July 20], was a good analysis of the pros and cons of proportional representation, but he missed an important point. Governing requires the joining of viewpoints to accomplish the will of the majority. By allowing significant space for every minority voice, we interfere with the system's ability to do this.

Democracy does not guarantee a perfectly representative government. Minority voices have plenty of opportunity to be heard during election campaigns and at the grassroots levels. A party that wins 51 per cent of the vote must march forward quickly to initiate policy and govern, because its time is limited. Wasting further time pandering to small voices and assembling complicated coalitions does not add to the efficient administration of government.

B. R. Stannus
Tucson, Ariz.

Blame the Boys

Of some twenty sentences in your editorial on the Tailhook scandal ["Not the Right Stuff," July 20], only one could muster even half-hearted condemnation of Navy Lieutenant Paula Coughlin's abusers. Your overall tone had a rather snide "blame the victim" mentality melded with a "boys will be boys" attitude. A conservative publication should have the utmost respect and regard for an officer of the U.S. Navy, whether male or female. You place the blame on Lieutenant Coughlin for having the outrageous temerity to trust her peers and to be in their general proximity after hours. Blame really belongs to her abusers for fracturing the precious trust necessary among fellow officers. What ever happened to the conservative value of personal moral accountability?

Robert Barnett
Minneapolis, Minn.

Don't Sell the Schools

Reading your editorial about school choice ["G.I. Jr," July 20], I realized why I have been uncomfortable with such proposals. Every one of these plans funnels government money to any and all private schools. This virtually guarantees that the private schools that accept will become dependent upon this money, losing their independence, sinking to the level of mediocrity of the rest of the public-school system, and further reducing the real choice that currently exists in our public/private system. My most fervent wish with regard to private schools is for government to ignore them.

John Duncan
Metairie, La.

Hail to the Range

Congratulations on James Dunn's excellent article, "America the Beautiful" [July 6], listing the many successes private-property owners have had at conserving plant and animal species. He could also have mentioned the Western ranchers who have held grazing allotments on public lands. These lands, according to Bureau of Land Management reports, are in the best condition they have been in this century.

Janaloo Hill
Lordsburg, N.M.

On Gnosticism

Richard Brookhiser ["Me, Myself, and God," July 6] may have trouble with Harold Bloom's assertion that Gnosticism is strong in America, but I don't. After all, what is Gnosticism? In contrast to Christianity, it is the belief that the physical world is somehow "unspiritual," and so the Church is invisible and salvation comes through the *gnosis* of "knowing Jesus." As Elaine Pagels points out in *The Gnostic Gospels*, modern American Protestantism reflects the Gnostic Scriptures better than it does the New Testament.

Look at how they Gnosticize the New Testament: in I Corinthians 15, where St. Paul contrasts Adam, the living *psyche* (or soul), with Christ, the life-giving *pneuma* (or spirit), the Revised Standard Version translates *psychikon* and *pneumatikon* as "physical" and "spiritual." Over on the Evangelical side, the *New International Version Study Bible*, in a footnote to Titus 3:5 ("He saved us through the washing of rebirth"), argues that "It cannot mean that baptism is necessary for regeneration, since the New Testament plainly teaches that the new birth is an act of God's Spirit." (And so it has to be through *gnosis* rather than a physical act, right?)

And yes, Baptists tell me their crosses are Christless for the same reason their Lord's Suppers are memorial meals: their Christ didn't look upon the cross as the new and eternal covenant but rather as a test He had to pass to get to Heaven. As a physical act it isn't as important as His "spiritual" existence in heaven.

Don Schenk
Allentown, Pa.

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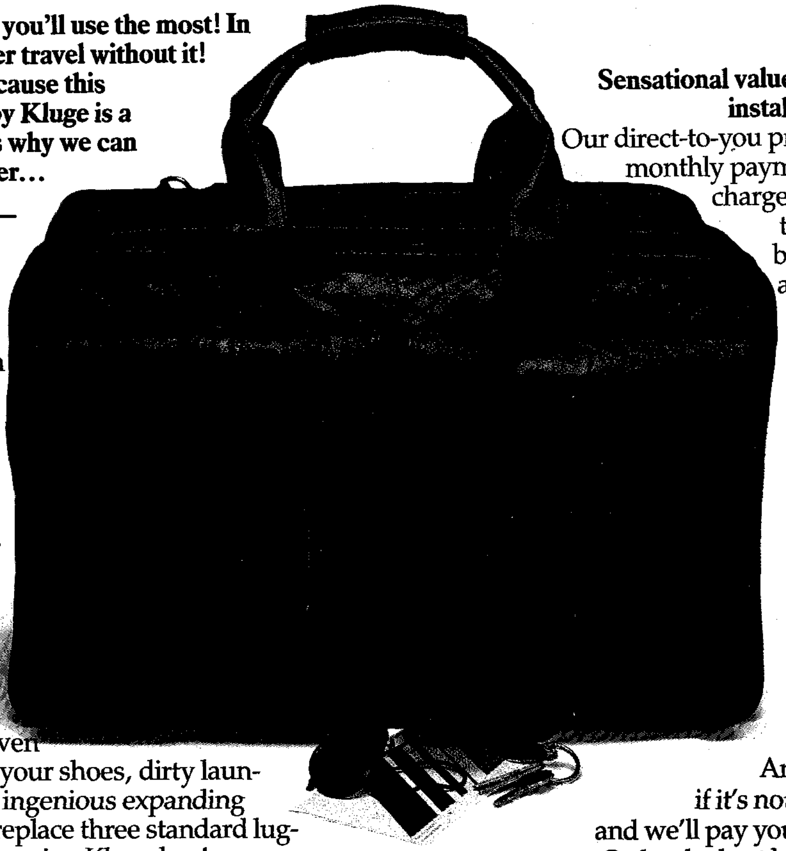

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FROM THE EDITOR

The Gipper to the Rescue

■ Mr. Bush is a decent man. But it seems that whenever a newspaper article touts his chances—"When Bush Takes Off the Gloves"—it also praises the nastiness of his campaign team. They're the Lee Atwater School of Politics, runs the refrain: tough, vicious, go-for-the-jugular types. Show them a belt and they hit below it. Clinton won't remember a thing.

There is, of course, nothing wrong in principle with negative campaigning. In the immortal words of a New York Democrat who begs to remain anonymous: "Say what you like about negative campaigning, at least it's more honest than positive campaigning."

But most people tolerate political attacks only in the service of a good cause. Ronald Reagan's theme of America's weakness under Jimmy Carter had appeal because it crystallized what voters already felt about the Iran hostage crisis, and drew credibility from Mr. Reagan's long advocacy of strong defense.

What are the positive themes in the Bush campaign to which the negative attacks on Mr. Clinton will provide a similar counterpoint?

Its first television ad celebrates "Change Guided by Principle." But change is a naturally Democratic theme. From Republicans it sounds ominously like notice of surrender.

And the first principle the ad cites as guiding change in an (increasingly hypothetical) Bush second term is that "we must control wasteful government spending." But domestic spending has rocketed under Mr. Bush.

Unless this is acknowledged and apologized for, the claim sounds like a cynical appeal to sentiments the advertisers do not share. If later ads allege that Mr. Clinton is a big spender, the voters will conclude that their choice is between a sincere, smiling Tweedledum and a tough, vicious, go-for-the-jugular Tweedledee.

Any competent propagandist would know that. He would now be fashioning themes that appeal to the conservative majority in America and are plausible (with or without apologies) in Mr. Bush's mouth.

But that requires talent, imagination, and principle. And if you have those, viciousness isn't necessary.

■ So Ronald Reagan is not to be charged by the Iran–Contra special prosecutor. I congratulate Lawrence Walsh on his prudence.

The grotesque fantasy of putting the Gipper behind bars only surfaced because the media had established that Mr. Reagan could be accused of *anything* with impunity. No one would defend him, least of all the Bush Administration.

Mr. Bush defined his view of Reaganism when he called for "a kinder, gentler America"—a tacit concession that the 1980s were years of greed, rapacity, and unfairness. Within weeks of the inauguration, White House aides were prodigal with claims that Mr. Bush mastered details where Mr. Reagan had slept.

The media took the hint. An avalanche of lies, damned lies, and Congressional Budget Office statistics, defaming the longest boom in U.S. history, descended on the public.

If this mythology had been firmly rebutted by the White House, it would have been classified as partisan and controversial. The media would have had to observe restraint. But since the Administration looked the other way, the "Decade of Greed" ceased to be Opinion and became Fact.

With an election approaching, however, Mr. Bush is suddenly held to account for the "Reagan–Bush Years." And since he wants Mr. Reagan's support (or, anyway, his supporters), he will have to defend Reaganomics.

With this in mind, we are providing Mr. Bush with a detailed account of Mr. Reagan's achievements in this issue. Let him read, mark, and inwardly digest it. It will give him what he most needs—some idea of what to do for an encore. —JOHN O'SULLIVAN

A view from Washington

THE ROAD FROM RIO LEADS IN THE DIRECTION OF NATURAL GAS

With the once-looming Earth Summit now just a distant rise on a receding horizon, it is time for America and the world to go forward and realistically confront the choices necessary to balance economic prosperity with environmental management.

We must get beyond the polarized rhetoric of global green politics and begin building our future on a solid middle ground. This middle ground is a place where environmental and economic goals reinforce each other. It is a place with both clean air and factories. Not far below the surface of that middle ground is a reservoir of clean-burning natural gas.

The Rio Summit raised a lot of questions for American policymakers:

- How can the U.S. implement new environmental standards without hurting economic performance?

- What is a cost-effective vehicle fuel that can reduce smog in American cities?

- How can America increase its overall energy efficiency — enabling the nation to simultaneously reduce consumption, costs and environmental hazards?

These questions and others can all be answered with the same two words: natural gas. Turning to natural gas, renewable, and other efficient energy technologies can reduce smog in our cities and decrease U.S. greenhouse gas emissions and overall energy consumption — all while increasing employment. A recent study by the Alliance to Save Energy, the American Gas Association and the Solar Energy Industries Association, with peer review by Worldwatch and the Natural Resources Defense Council and others, explains how.

Achieving an "*Alternative Energy Future,*" as the study is titled, does not require expensive or restrictive government programs. Instead, a free-market approach based on the active adoption of energy-efficient technologies as required by appliance efficiency standards and integrated resource planning; intensified research and development; and the elimination of market barriers, regulations and subsidies that protect the energy status-quo is enough to bring a dramatic turn in America's environmental course.

Natural gas is an integral part of that *Alternative Energy Future*. Not only can it serve as a part of environmental solutions, but it also can dramatically reduce America's trade deficit and dependence on foreign oil. The United States draws 99 percent of its gas from North America, and there are several hundred years of supply within our continent.

Natural gas is clean burning. In automobiles, for example, an advanced natural gas engine emits 90 percent less smog-producing reactive hydrocarbons, 90 percent less carbon monoxide and 30 percent less carbon dioxide than a standard gasoline engine. There are about 30,000 vehicles operating on natural gas in the United States today, and 700,000 around the world. Detroit is already manufacturing limited numbers of natural gas-powered cars and vans on its assembly lines.

The clean properties of natural gas make it a better choice than ever for a broad range of applications, from generating electricity, to fueling factories and running CFC-free air conditioners. Natural gas is a fuel for America's future.

Better still, natural gas can be substituted for dirtier fuels by using existing and affordable technology. The American people do not need to wait years for some promised breakthrough — or empty their pockets — before the cleanup can begin.

There are a number of barriers that stand in the way of a cleaner alternative energy future including: state laws that subsidize coal use and preclude natural gas; the Department of Energy research and development budget, which spends 7 percent on natural gas technology, even though natural gas supplies 25 percent of America's primary energy needs; and electric utility promotional, rate-making and dispatching practices that encourage the use of high carbon fuels and less efficient technologies. Eliminating these and other barriers is not expensive. Doing so would actually save consumer and taxpayer dollars.

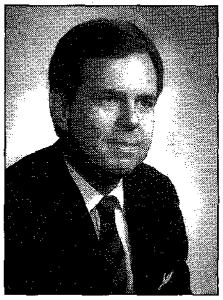
Making the changes outlined in the study would lead to a doubling of the use of solar, wind and other renewable energy sources, as well as a 40 percent increase in the use of natural gas. Free market forces are already moving our economy in the direction of energy efficiency and environmental protection. Knocking down roadblocks will empower the market to accelerate that progress.

The study predicts that the elimination of these market barriers would reduce U.S. CO_2 emissions by 12 percent by the year 2010, save $137 billion in energy costs, and create jobs in the energy-efficiency and alternative-energy industries. As the study shows, the much-discussed tradeoff between environmental progress and economic growth is a false one. With natural gas, America and the world can have both.

In this era of environmental choices, natural gas is better than a good idea. It is a realistic and practical solution.

Mike Baly

Michael Baly III
President,
American Gas Association



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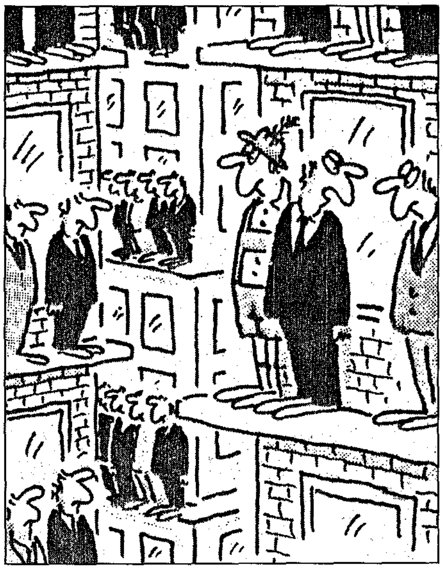
FOR THE RECORD

■ Too much of a good thing? Even liberal commentators may soon grow tired of warm bath of media approval for **Bill Clinton** and **Al Gore**. *Washington Post*, reporting on bus tour: "The images and the message are always the same—youth, vigor, energy. And change." . . . **Eleanor Clift** on *McLaughlin Group*: "Reporters were oohing and ahhing. It was almost embarrassing." . . . Now that Gore is national candidate, his environmentalism will receive closer scrutiny. **Julian Simon**, in *Human Events*, details Gore's errors on DDT, soil erosion, Love Canal, dioxin, and more; concludes: "Although the senator undoubtedly cares sincerely about the environment and natural resources, his ignorance is willed." . . . National gay-activist publication *The Advocate* said Clinton's choice of Gore means he is trying to appeal to mainstream rather than to minority groups. (Horrors!) But it noted that during last session of Congress Gore received 100 per cent favorable rating from Human Rights Campaign Fund, a gay lobbying group. . . . **R. M. Van Horn**, in *Florida Today*, recalls that during 1988 Democratic debate on *Firing Line*, **Wm. F. Buckley Jr.** asked each candidate whose picture he would hang in Oval Office. Gore said, "That great Tennessee President, **James Knox**." Gore not being **Dan Quayle**, his truncating of **James Knox Polk** did not make headlines.

■ Political consultants have lots of helpful advice for **George Bush**. "He's got to change perceptions about himself at the Convention," was **John Sears**'s contribution. Sears, remember, was fired by **Ronald Reagan** on New Hampshire primary day, 1980, after loss to Bush in Iowa caucuses. . . . **Kevin Phillips** says 40 per cent of Republican voters are disaffected; the President "has got to get down to the psychology of people—many of them in his own party—who don't like him." . . . Democratic strategist **Greg Schneiders** thinks Bush can win if he can successfully dramatize the Democrats' agenda: "Republicans will try to drive up the risk factor."

■ Some 16 Republican senators and 92 representatives are planning to skip Houston, apparently fearing association with President in voters' eyes. . . . The headlines have gone to **Guy Vander Jagt**'s primary defeat at hands of **Peter Hoekstra**, a 38-year-old businessman. Less noticed: President's first cousin, **George Herbert Walker III**, lost a primary race in St. Louis to Missouri State House Minority Leader **James Talent**. Talent will run against Democratic freshman Rep. **Joan Kelly Horn**. . . . Six-term Rep. **Charles Hatcher** (D., Ga.) becomes 16th incumbent to lose in primary this year. Hatcher bounced 819 checks. . . . Senatorial picture in New York becomes more, and less, complicated. Liberal Republican **Laurance** (Just Call Me Larry) **Rockefeller**, hoping to challenge incumbent **Al D'Amato**, failed to get enough petition signatures. But D'Amato was busy apologizing to his President for suggesting Bush might pull out and calling on Quayle to quit the ticket. . . . Among wide field of Democrats contesting for nomination to oppose D'Amato: old-line-pol State Attorney General **Robert Abrams**, Rev. **Al Sharpton**, and a monstrous regiment of feminists (**Elizabeth Holtzman**, **Geraldine Ferraro**). . . . Outwitting the gerrymander: nine-term Rep. **Stephen Solarz** (D., N.Y.), redistricted out of his seat, decided to run in new 12th CD, created to elect a Hispanic. Hispanic activists not impressed by Solarz, who is Jewish, saying, "*Muchas gracias. Yo soy el congresista Solarz*," but voters may be. . . . Supreme Court's *Planned Parenthood* v. *Casey* decision, upholding some state abortion restrictions, is reverberating through campaigns. In new congressional district in south-central Iowa, Republican Rep. **Jim Ross Lightfoot**, running for his fifth term, is firm against abortion "rights," one reason being that he was an adopted child, whose natural mother "let me live." His Democratic opponent, **Elaine Baxter**, is enthusiastically pro-choice.



"When the German jumps, we all jump."

© Matt, *Daily Telegraph*, London / Rothco

■ United Nations Secretary General **Boutros Ghali**, an Egyptian, intensified his feud with Security Council over peace-keeping priorities—he favors Somalia and Cambodia over Yugoslavia. . . . During ANC's march on Pretoria, **Nelson Mandela** called for a future with "no victors and no losers," and said he would include rivals in government if elected. But ANC Secretary General **Cyril Ramaphosa** proclaimed: "Comrades, the day when we will install our true president is very near. We are just at the door of the Union Buildings. Next time, next time, **F. W. de Klerk**, we are going to be inside, inside your office." . . . *Plus ça change*: When **Joseph Désiré Mobutu** (now **Mobutu Sese Seko**), took power in former Belgian Congo, he changed country's name to Zaïre, to get rid of a symbol of colonial past. Now many compatriots want the name "Congo" back, on grounds that "Zaïre" symbolizes Mobutu's 26 years of tyranny.

■ Boston City Council passed an ordinance requiring 850 restaurants and bars to install condom vending machines. . . . And in Nashville, a first: lawsuit filed by an undertaker alleging exposure to HIV from accidental needle stick while embalming an HIV-positive corpse.

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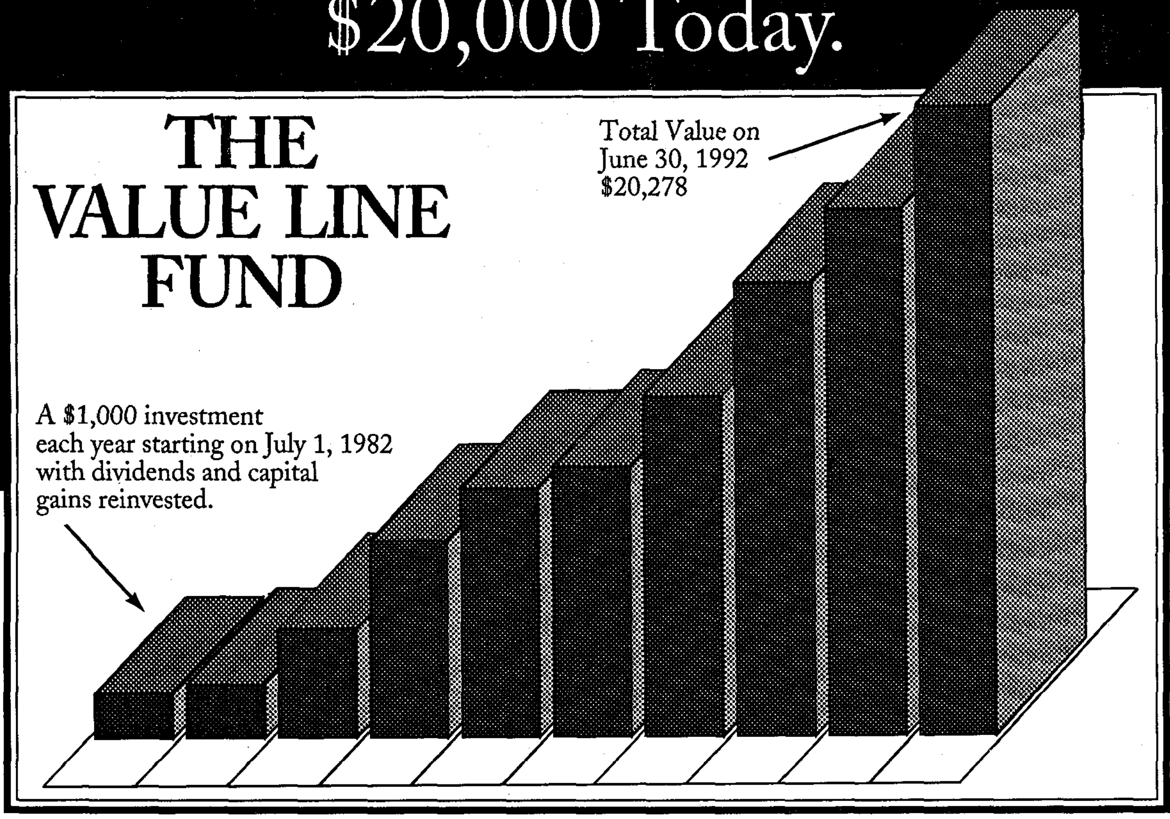

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THE WEEK

■ For eight years we heard about "Reagan Democrats." Four years of George Bush, and we've got Clinton Republicans.

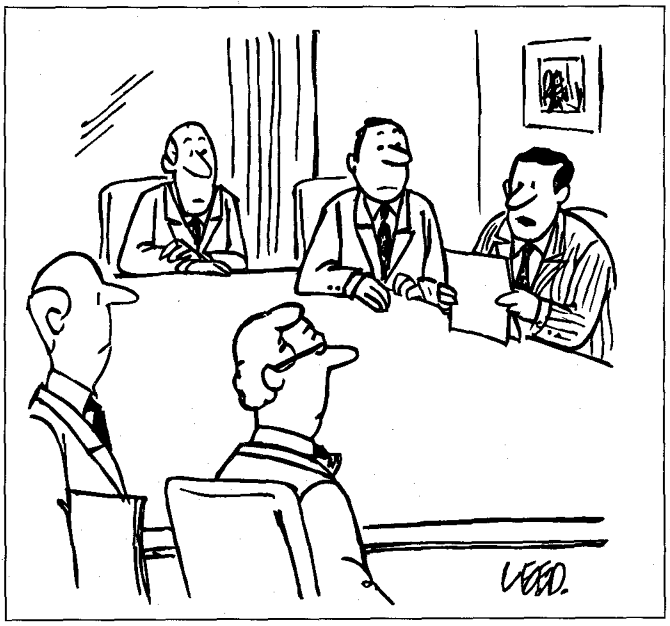
■ When a skilled Washington high-wire act like Environmental Protection Agency chief William K. Reilly thinks he can get away with leaning into your airspace, watch out—maybe you're in the wrong seat. Reilly, a Rockefeller Republican who was a longtime environmental lobbyist before being tapped for the EPA post, circulated a memo to 12,000 agency employees criticizing his President for not getting even more swept up by eco-hysteria at the Rio "Earth Summit." The Administration response: Reilly was invited to address the Convention in Houston. To put this in context, remember that the EPA staff has grown by more than 20 per cent under Mr. Bush, and that the Agency itself estimated that in 1990 it cost every American about $450 in higher prices and taxes. Sounds like there's an endangered species in here somewhere. But we can't tell who.

■ President Bush rebuked deputy campaign manager Mary Matalin for her memo referring to Bill Clinton's problem with "bimbo eruptions," even though Miss Matalin was actually quoting Clinton's aide Betsey Wright, who had admitted spending $28,000 to prevent such eruptions. Meanwhile, Representative Maxine Waters of California, who is co-chairman of the Clinton campaign, called Mr. Bush a "racist" with impunity. When Dan Quayle demanded an apology, she said defiantly: "My mother couldn't make me do that." She has piled more of the same on the President, calling him "a mean-spirited man who has no care or concern about what happens to the African-American community in this country." No comment from Mr. Clinton, and no headlines about Democratic "sleaze" or "the low road." Of course none of this would matter if the Bush campaign could find a larger theme than bimbos. Republicans win when they can point to deep, principled differences between themselves and the Democrats, and Mr. Bush has spent four years kindly and gently muffling such differences.

■ DEPARTMENT OF WE TOLD YOU SO: Back when the Bush Administration first invited homosexual-rights activists to the White House (and then lied about it to our reporter), we warned that courting such groups would do two things, neither to the President's advantage. First, it would appeal to people that will never vote Republican anyway because the Democrats will always outbid the GOP. Second, the very appeal would turn off huge numbers of people who did vote for George Bush in 1988 (and provided his large margins in the South) and whom he desperately needs in 1992. Well, right now there is something of a civil war in the fundamentalist camp, with two major Christian groups—the Southern Baptist Convention and the National Association of Evangelicals—unhappy with the direction of the Bush Administration on traditional family values. Although Bush is being supported by the Reverend Jerry Falwell, Pat Robertson, and Beverly LaHaye of Concerned Women for America, they have come under fire from their own allies who think Mr. Bush hasn't been forceful enough. Funny, but, as we've pointed out before, every time they make the GOP tent bigger, more people want to leave.

■ Milton Friedman recently told *Forbes* that the Bush Presidency has been "very close to a disaster," that "there is a danger that we are going to have another recession," and that "in some ways I think you might have better economic policy with Clinton." A Bushman is quoted in *New York Newsday* as retorting, "We don't want him, let Clinton have him." That's the pragmatic Republican version of "How many divisions has the Pope got?"

■ Whipping off the apron she's been wearing this campaign season, Hillary Clinton appeared at the annual American Bar Association convention to salute Anita Hill for "changing America": "All women who care about equality of opportunity, about integ-



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rity and morality in the workplace are in Professor Anita Hill's debt," she said. Both women, reports the *New York Times*, "received long standing ovations and repeated applause. And the whoops and cheers were of a passion, pitch, and timbre never before heard at bar conventions . . ." It was an indoor Woodstock of middle-class liberalism. Miss Hill's veracity and Clarence Thomas's guilt were articles of faith, not subject to anything so restrictive as the rules of evidence. This scene should be remembered the next time Mrs. Clinton describes herself as neither liberal nor conservative. And *every* time the ABA comments on a judicial nominee's qualifications.

■ After what even the *New York Times* conceded was a feeble turnout for her pro-choice caravan, Ann Stone finally rode into Houston for the GOP convention and was immediately rewarded with network air time. Mrs. Stone heads an outfit called Republicans for Choice, which has been far more successful at getting favorable media treatment than it has at achieving any political victory. This year alone she has been completely shut out in her efforts to defeat pro-life resolutions in her own district, in her state, at the platform hearings in Salt Lake City, and now at the hearings in Houston. Mrs. Stone's failure to change the plank during pre-convention hearings, moreover, comes on the heels of an admission by the Democratic leadership in Congress that they do not have the votes for a Freedom of Choice Act with which they had been threatening the President. It also comes after a warning from the twice-elected Democratic governor of the nation's fifth largest state, Robert Casey of Pennsylvania, to his own party that *its* position on abortion has been driving legions of folks into the Republican fold. Poor sap, he's not ready for prime time.

■ Vice President Quayle's Council on Competitiveness is under full-blast assault from a coalition of 35 liberal interest groups, members of Congress, and the media. That is a spectacular endorsement of the Council, which has a staff of two and an annual budget of $86,000.

Bosnia in Prime Time

As Mrs. Thatcher counsels bombs
  And Mr. Lugar's pleas
Accentuate the knocking made
  By Mr. Bush's knees,
TV asserts its primacy
  In rumpus room and den,
And might have made a Mighty Mouse
  Of Chamberlain, back when.

W. H. VON DREELE

■ Meanwhile, it is revealed that the highest-paid people on the congressional payroll are committee staffers. On Senate staffs, 66 earn upwards of $100,000 a year; on House staffs, 254. That adds up to more than $32 million that could be far better spent on Mr. Quayle's Council.

■ Fat chance that the November elections will add 35 Republican seats in the House. Such predictions were ditched last week with the defeat in the Michigan Republican primary of Guy Vander Jagt, who bounced no checks at all, outspent his unknown foe 10 to 1, and was aided by the apparatus of the National Republican Congressional Committee (of which he is chairman). What felled him—and could do the same to the twenty or so Republicans who still face primaries—were the President's dwindling ratings and a growing voter animus toward incumbents. A new CNN/Gallup poll shows voters now favoring a "generic" Democrat over a Republican by 20 points, way up from April's 3-point gap. While there will still be a hundred-plus new faces in the House next year, far fewer Republicans than had been expected will be in the chamber to hear President Clinton's State of the Union Address.

■ The Kentucky state constitution requires its counties to submit balanced budgets. State officials can also decide how the budget is to be balanced, and when Breathitt County refused, in seven straight budget proposals, to impose a 1 per cent payroll tax that the state insisted was necessary to plug a $400,000 hole, a judge put three members of the county's Fiscal Court in jail for four days, until they agreed to change their minds. "Our only avenue," said one of the rogues upon being released, "is to vote against our wishes to get out of jail," or, to put it more pithily: No representation without taxation.

■ When Saddam let fly with his Scuds at Israel and Saudi Arabia, America stopped most of them with Patriot missiles. But wealthy bullies everywhere, the George C. Marshall Institute points out, will soon have access to weapons that can overwhelm Patriot defenses: low-tech cluster munitions, canisters loaded with fifty to a hundred biological or chemical bomblets. An attack by fifty such Scuds means up to five thousand in-coming targets for the defenders, more than any Patriot system could cope with. The only answer is to hit the cluster-munitions Scuds in their boost phase, before the bomblets have dispersed. This can be done, in the long-term, by space-based defenses, or, in the short term, by drones (small, unmanned aircraft) armed with "brilliant pebble" miniaturized interceptors. It won't be done,

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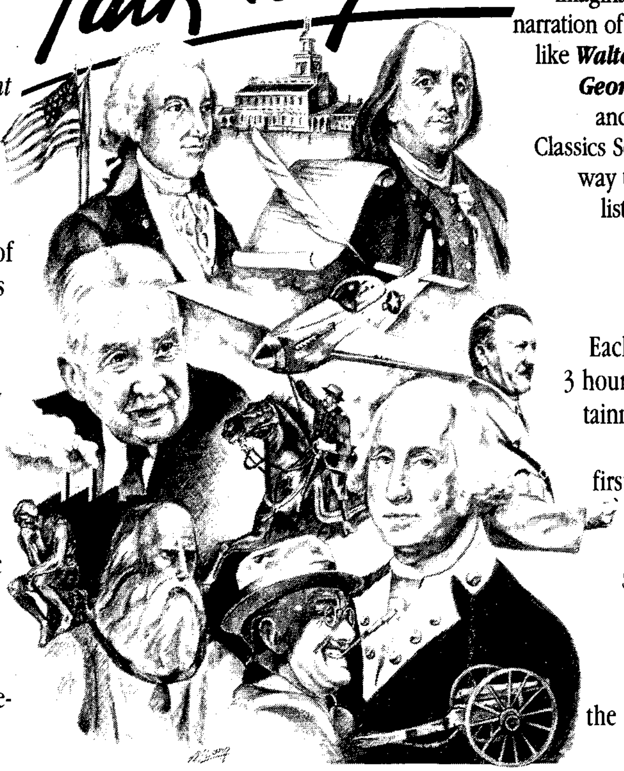

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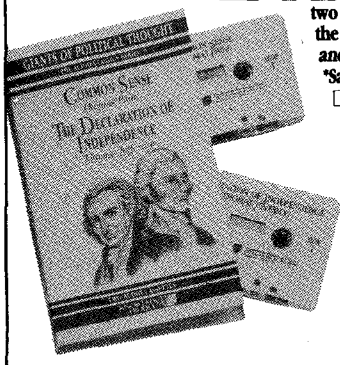

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KNOWLEDGE PRODUCTS® Customer Service Center • Box 305151 • Nashville, TN 37230 though, if the House Appropriations Committee's zero funding of the drone/interceptor program and the Senate's knocking a billion dollars out of the SDI budget are allowed to stand. Tel Aviv's loss—and Riyadh's, and Seoul's—will be Baghdad's, and Teheran's, and Pyongyang's gain.

■ The Organization of African Unity has established a committee to seek reparations from America, Europe, and the Arab countries for the slave trade, a goal endorsed by Jesse Jackson. But the moral calculus is difficult. Consider only the case of America. Will American blacks be asked to pay compensation for the enslavement of their own ancestors? If American blacks are let off the hook, what about American blacks with white ancestors? (Jesse Jackson had an Irish grandfather.) Since the American slave trade depended on the cooperation with African slavers, will Africa pay reparations to American blacks—excepting, of course, those with white grandparents? The last time the OAU called for something so elusive was when it came out for African unity.

■ Remember the six teenagers from tiny Rivercrest High in Texas who were reported last October to be infected with HIV? No? Well, neither do any Texas records of births, deaths, driver's licenses, or school enrollments. In fact, after six months investigating the claims of AIDS counselor Dona Spence, the Texas Department of Health has found no evidence that these six (or any of the other fourteen teenagers Mrs. Spence listed) even exist. This didn't stop Mrs. Spence, whose husband died of AIDS, from pointing to her findings as evidence of a new population of victims: most of the cases, she said, resulted from heterosexual activity. And since Rivercrest High had been emphasizing abstinence, there seemed to be a need for some *real* sex ed. Mrs. Spence had planned to open an AIDS clinic in April, but she has disappeared from the public record too.

■ In a recent *Wall Street Journal*, Katherine Dalton called attention to a new frontier in civil rights: when two young women in Madison, Wisconsin, advertised for a roommate and rejected a lesbian who answered the ad, Madison's Equal Opportunities Commission swung into action. Upon appeal, the EOC backed off, but this was only the first assault. Miss Dalton's article provoked three published letters damning her for opposing gay rights and "stir[ring] homophobic sentiments," and demanding laws to prohibit advertisements for a roommate that specify their sexual "orientation." But why is rejecting a lesbian roommate any more "discriminatory" (even assuming that "discrimination" is always bad) than rejecting a male? In both cases, a young woman would presumably have the same motive: a desire not to feel under sexual pressure in her own home. That's as near to an unimpeachable motive as we can imagine. But the fanatics are in high gear, and the bureaucracies are backing them. Expect more such cases from the partisans of "privacy."

■ NEW COVENANT DEPT.: The tabloids reported that Mick Jagger wants to divorce his wife of three years, former model Jerry Hall. No problem, according to the *New York Post*. "Persistent rumors" allege that their marriage on Bali "wasn't a legal one but just a religious one." You see, they didn't inhale.

■ LATE BREAKING NEWS: Cheer up! Next day, the *Daily News* reported that Mick and Jerry intend to give it another try. Some years from now, when a constitutional amendment has been passed allowing Mr. Jagger to run for President, delegates to the Democratic National Convention will watch a moving videotape presentation in which the couple's little daughter, Soho, looks up from old tabloid clippings and says, "I think I'm glad you're my parents."

■ Mr. Bobby London has been fired as artist for the daily *Popeye* comic strip after he sent out a series of cartoons in which two priests, thinking Olive Oyl is planning an abortion, rally people against her; heroically, she stands up to them, embracing the pro-choice position. Expect to see Mr. London on *Frontline* ("The War against the Arts") and *Donahue* ("Why can't the Catholic Church take a joke?"), while Olive Oyl becomes ABC News's "Person of the Week" ("for inspiring us to meet social problems head-on").

Bosnia without Illusions

SERBIA'S CRIMES—or, to be more precise, the crimes of the former Communist apparatchiks who have adopted an extreme nationalism to give themselves some shred of legitimacy—cry out to Heaven for vengeance. To their wars of territorial expansion are now added crimes against humanity: concentration camps, torture, mass killings of innocents, and "ethnic cleansing," a euphemism for driving people from their homes in order to create a Greater Serbia. The historical analogies are all too obvious. We might expect, therefore, that international reaction would be driven by a gnawing guilt that, on earlier such occasions, the world's indifference and failure to act allowed both the Holocaust and Stalin's murder of whole nations. If so, we would be disappointed.

Two reports alleging atrocities in Serbian prison camps were actually suppressed by the UN High Commissioner for Refugees for several weeks, presumably because they would have aroused pressure for a military intervention which the great powers

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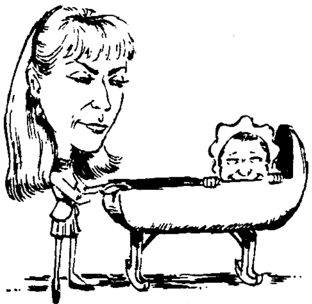

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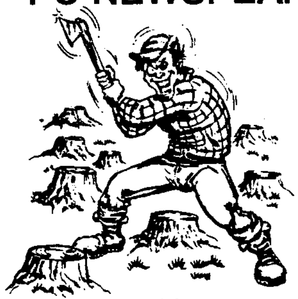

Lumberjack n. A serial axe murderer; said to maliciously butcher unsuspecting trees, esp. defenseless evergreens and elderly maples.

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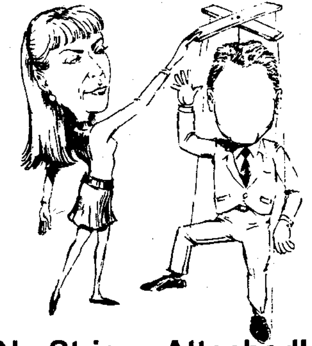

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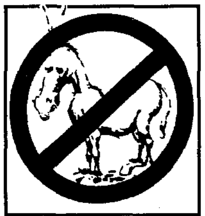

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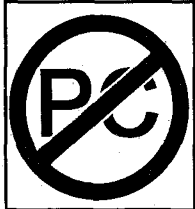

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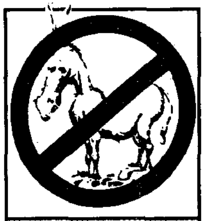

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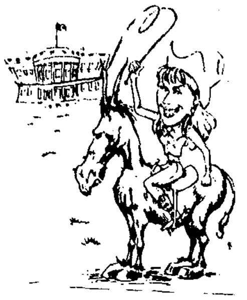

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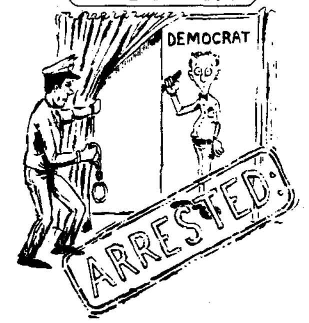

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wished to avoid. Only when Western journalists sent back horrifying reports and pictures of Moslem prisoners, plainly suffering terrible privation at Serb hands, did pressures mount to halt these war crimes. Calls for military intervention now multiply, not only from Governor Clinton, but also from such disinterested figures as Richard Lugar on the Senate Foreign Relations Committee, and the former British Prime Minister, Margaret Thatcher, writing in the *New York Times*.

But conservatives—while sharing the moral outrage that has prompted such calls—must persist in raising some hard questions before we plunge in. Does the U.S. have an interest in restoring some semblance of peace to what was once Yugoslavia? Of what kind? And if so, what intervention could best discharge it?

The moral argument for intervening to halt aggression and suppress barbarity applies equally to all nations. If the U.S. has a special responsibility by virtue of its greater power, that is limited to giving leadership to a coalition of European powers (which have a special responsibility by virtue of their proximity). Both the U.S. and Europe incurred additional responsibility last year, however, when they opposed the dissolution of Yugoslavia and in effect encouraged the Serbs to resist it. That helped transform a constitutional dispute into a military conflict that has since spread from Slovenia to Croatia to Bosnia and threatens to spread further.

And therein lies the strategic interest of the U.S. (again shared with Europe) in stopping the conflict. If it continues unchecked with further massacres of Bosnian Moslems, it may directly draw in other Balkan nations, including Turkey and Greece—NATO allies likely here to oppose each other—and indirectly prompt "copycat" ethnic wars in the former Soviet Union. Are a stable Europe and a united NATO American strategic interests? We think so.

But what intervention is feasible? Military intervention to protect "humanitarian" aid, which the Administration is apparently hammering out at the UN, actually combines the maximum of risk with the minimum of point. Convoying food and medicine to Sarajevo and the liberated camps would require a considerable force of ground troops. That risks another Lebanon, where a feeble "humanitarian" force found itself trapped and the target of brutal attacks. And to what end? Most victims of this war have died not in concentration camps, but in the artillery bombardment of cities and in massacres. Keeping them fed between bombardments or until the next massacre is a very marginal addition to their welfare. But since "humanitarian" intervention does not seek to end the fighting, that would be all it could achieve. It looks increasingly like a cynical camouflage for a policy of hoping that the Serbs will win a quick victory, seize half of Bosnia, and magnanimously agree at the forthcoming London conference not to seize the remaining half, thus ending the crisis to the satisfaction of the State Department and the British Foreign Office.

The outright invasion and occupation of Serbia would doubtless end the fighting in Bosnia. But that would require a larger force and more draconian methods than either the U.S. or Europe contemplates. And insofar as it encouraged the Bosnians to rely entirely on our protection, we would then face the dilemma of either staying permanently or seeing the bloodshed resume. This option, we suspect, is generally proposed by those who want to discredit the idea of any intervention at all.

That leaves the combination of measures suggested, at different times, by NATIONAL REVIEW and Mrs. Thatcher. These are: the lifting of the arms embargo on Bosnia; the supply of weapons to the Bosnians; and the use of NATO air power to destroy Serbian artillery in Bosnia, to disrupt Serbian supplies, and to inflict damage on military installations within Serbia itself. Such measures would have two aims: to alter the balance of military advantage between Bosnian defenders and Serb aggressors, and to raise the cost of aggression to Serbia's military and political leadership. Would they succeed? No one can be certain of that, but their chance of success is far greater than that of "humanitarian" intervention. And if additional force were required to break the back of Serbian military power, we see no reason why it should involve ground troops when we have at our disposal the kind of destructive air power we employed to such effect in Iraq.

What we cannot risk is a repetition of Vietnam, where we initially had the right idea of "going to the source" (North Vietnam) but did so in an incremental, hesitant way that conveyed not our determination, but our doubts. The Joint Chiefs of Staff are wary of unthought-out "political" uses of military power—and they are right to be wary. But the President is also entitled to know what decisive options may be available against Serbia itself. If we are to involve ourselves, we have no choice but to be pre-

Hallucinations Accepted, Too

As polls appall and famous pols
  Like Vander Jagt depart,
While on the Hill, Republicans
  Look like Depression art,
The worry is, will Mr. Bush
  Approach the podium
And, like a saint, see visions that
  Will knock me off my bum?

W. H. VON DREELE

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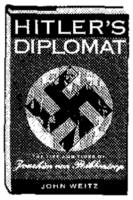
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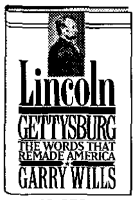
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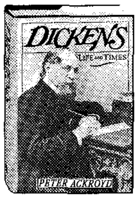
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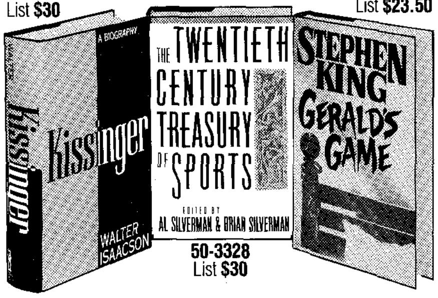
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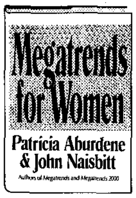
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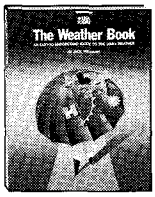
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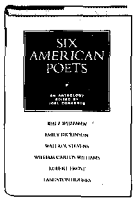
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pared in the end to threaten (and, if necessary, inflict) an overwhelming, decapitating, knockout blow against Serbia from the air. Anything more looks unnecessary; nothing less will do.

The Trojan Tax Bill

IT STARTED as a response to the L.A. riots. In true Washington fashion, however, the urban-aid package has metastasized to the Revenue Act of 1992, a Lloyd Bentsen tax bill that would jeopardize the economy, urban and non-urban alike.

From a distance many of its provisions look good: expanded individual retirement accounts, easing of the Alternative Minimum Tax, and accelerated depreciation of capital investment. The fraud is in the fine print: The write-offs expire within the year. Some IRA deductions permitted under current law would no longer be permitted. Worst of all, the bill would permanently extend the higher marginal tax rates enacted in the 1990 budget agreement. (That law "temporarily" phased out itemized deductions and personal exemptions for taxpayers with gross incomes above $105,250, implicitly increasing the top rate to 34 per cent for a family of four.) If Mr. Bush signed the Bentsen bill, he would be repeating the mistake that lost him conservative support and sent him tumbling in the polls. With friends like this, who needs Bill Clinton?

And the cities? Jack Kemp had asked for three hundred enterprise zones, in which inner-city investors would not pay capital-gains tax. The Bentsen bill delivers 25 EZs (only 15 of them in cities) and no capital-gains relief. The cities would end up with only 10 per cent of the tax breaks of a bill supposedly targeted to them.

A real urban-aid program might take as its basis the memo to the Bush campaign from Jack Kemp and six Republican congressmen. They would cut taxes for all working families, dropping the 15 per cent rate to 12 per cent, and would cap the top rate at 28 per cent. They would also raise the personal exemption to the levels of the late 1940s, before inflation diminished its value. All impoverished communities would be eligible for enterprise-zone status, and all capital gains, whether arising in the inner city or not, would be indexed to inflation. (Even Robert Shapiro, Clinton's economic advisor, has endorsed the idea of doing this administratively.) A real inner-city package would not attempt to raise the cities by lowering the surrounding area.

The Bentsen bill is bad economics and—Republicans are belatedly recognizing—bad politics also. The formula that worked in 1980, 1984, and 1988 can win again in 1992. It is the classical formula for economic growth: low taxes, smaller government, free trade, and an end to the war waged on the poor by misguided federal programs. These principles are conspicuously absent from the 1992 tax act. The President can redeem past mistakes—and lay the foundations for future victories—by vetoing it.

The Bright Side

If the President, primed for High Noon,
Winds up prone in the local saloon,
  Interest, now in the tank,
  Will ascend at your bank
Like the cow that jumped over the moon.

W. H. VON DREELE

The Punching-Bag President

GEORGE BUSH had himself photographed in boxing gloves recently, though his only experience with punches in the campaign so far has been taking them. But the Bush campaign's passivity should come as no surprise, since it reflects the passivity of the Bush White House. On issue after issue—the Clean Air Act, the Americans with Disabilities Act, the budget deal—Mr. Bush accepted Democratic initiatives, with only a few modifying twiddles. Sometimes, as in the case of the Civil Rights Act, he threw in the towel after a long, and ultimately wasted, rhetorical resistance. When dealing with foreign enemies, he has put up more of a fight, though even Desert Storm, the boldest act of his Administration, was not followed through.

On one issue, however, the Bush Administration has been clear and consistent: purging the GOP of the free-market eggheads and Bible-thumping hayseeds who played a major role during the Reagan era. Rather than recognizing the debt they owed to Reagan, the Bushmen viewed his tenure in office as an eight-year postponement of the Bush Presidency.

The purge of conservatives has been clean and thorough. Aside from Dan Quayle, Attorney General William Barr, and Jack Kemp, remnants of Reaganism in this Administration are hard to find. Even these are beleaguered: Richard Darman keeps trying to abolish Quayle's minuscule but effective Council on Competitiveness. When John Sununu was fired, the White House erected a Berlin Wall hermetically sealing out conservative issues and ideas.

Now President Bush finds himself deprived of any intellectual and ideological underpinnings. Some of the efforts the campaign could make to revive itself are pure counterpunching: Call for a tax cut, and see how Clinton responds. Ask why, if Clinton is so hot to use force in Bosnia, he was so reluctant to go to Vietnam. But the best course for Mr. Bush would be to bring conservatives back, and listen to them. He should heed the advice of Ronald Reagan: "Tear down that wall."

The Selling of South Africa

ADMINISTRATION officials have reportedly informed the De Klerk government that the White House will not, after all, be pushing state and local governments to lift sanctions on South Africa, as it had promised when urging the release of the ANC's Nelson Mandela.

On this occasion, however, the victim is partly to blame. It is now clear that the South African business elite, still mostly English-speaking, has staged a sort of coup within the white community. It has split the Afrikaners and enlisted the National Party government in the cause of doing a deal—almost any deal—with the ANC. Blue-collar whites, and even inconvenient blacks like the Zulus, would have to be sacrificed in the process. But that is the nature of such political deals—see de Gaulle's Algerian policy.

The problem with this unedifying ambition: it cannot succeed. The ANC remains intransigently radical. Its paranoid fantasy of a police-inspired "third force," responsible for killings that are obviously tribal, is no accident, comrade. It has echoes in the recent history of the party's tribal base, the Xhosa, and of its intellectual leaders, the South African Communist Party. In the nineteenth century, the Xhosa brought famine on themselves because they were convinced that slaughtering their cattle would make the white men go away. In the twentieth century, Communist propaganda convinced Western intellectuals that Soviet backwardness was due to "saboteurs." The same tics are still at work.

The South African business elite walked into this blind alley with its eyes open. It will no doubt urge the government to continue down this path; ultimately there may be no peaceful way out. If insiders can make such grotesque misjudgments, outsiders are unlikely to do better. What the U.S. Government should seek, however, is to persuade the ANC that its intransigence will not be rewarded. Refusing to lift sanctions sends exactly the wrong message.

The Milken File

FEDERAL JUDGE Kimba Wood has reduced junk-bond king Michael Milken's sentence from ten years to less than three (plus three years' full-time community service), making him eligible for parole almost immediately. At last, the government has taken a serious step toward spurring economic recovery.

The reduction is curious in that the usual beneficiaries of such mercy are little fish who have helped to land a bigger fish. While Michael Milken has cooperated with government investigators, his testimony has been of little use to them: the United States Attorney's office points to his help in convicting a former Drexel colleague, Alan E. Rosenthal, on one count of embezzlement, but the Securities and Exchange Commission complains accurately that he has "provided little information of value to the SEC's pre-existing investigations," yielding "few concrete results." Milken has even testified for the defense, against the government, in another case.

To explain the oddity we must return to his presentencing hearings. Threatened by the pre-trial penalties allowed under RICO as well as by a prosecutorial vendetta against his entire family, Milken had pleaded guilty to six violations that normally would merit only a warning letter from the SEC. Prosecutors declined to charge him with the more serious crimes of which he had already been convicted in the press. When these offenses were examined in pre-sentencing hearings, Milken's lawyers, for the first time able to cross-examine his accusers, showed that he had neither manipulated stock (his department sold Wickes Co. when he was alleged to be driving up the price) nor engaged in insider trading (a supposedly concealed purchase of Caesar's World bonds was in fact recorded on the books). James Dahl, a star witness, was forced to admit numerous errors of fact, demolishing his portrait of Milken's villainy, which had so strengthened his own plea-bargain. (See Jude Wanniski's "Insider Reporting," *NR*, Dec. 2, 1991.)

Judge Wood deemed the government's pre-sentencing claims entirely unproved, but still gave Milken ten years, a pronouncement which brought a gasp even from the hostile press corps in the courtroom. Stranger still, she then suggested that cooperation—helping investigators uncover a conspiracy he had just proved he knew nothing about—might bring a reduction. Since Milken has not produced such information, why did she spring him? One factor: at the time of sentencing, reporting was dominated by the extremely anti-Milken James B. Stewart of the *Wall Street Journal*. Today, Jesse Kornbluth's more balanced account, *Highly Confident: The Crime and Punishment of Michael Milken*, is on its way up the best-seller list. Mr. Kornbluth praised Judge Wood's change of heart to the *Washington Post*: "I think she's discovered that Milken's crimes weren't heinous." Or decided it was best to stop the scapegoating before it became a public scandal.

Man Trouble

A SEX SCANDAL has erupted at one of the nation's top prep schools, Phillips Exeter Academy in New Hampshire, where Larry Lane Bateman, chairman of the drama department, is alleged to have been seducing boys and making pornographic videos of them. A former student says Mr. Bateman coaxed him into an affair after videotaping him in the nude; but he says he ended the affair when he became convinced that Mr. Bateman was using boys as young as six years old. Mr. Bateman denies the charges.

Whatever the truth of the matter, Mr. Bateman gave plenty of notice of his leanings. His PhD dissertation in 1975 included two plays he had written about male teachers who seduced students into homosexual acts. One of them won an award in the American College Theater Festival Competition. Mr. Bateman apparently admitted that it was based on an incident in his own college teaching career.

Nevertheless, Exeter hired him, in keeping with its "progressive" stance. It allows homosexual teachers to live in dormitories as faculty residents, and the *New York Times* notes that "it has many programs for making students aware of homosexual issues." Its principal, Kendra Stearns O'Donnell, says Exeter tries "to free students of the disabling prejudices that later in life will compromise their ability to make a difference," listing "homophobia" among such prejudices.

Few people, so far, openly endorse pedophilia. But Mr. Bateman's career suggests that plenty of progressive-minded people have been winking at it, or at least have refrained from suspecting it lest they be accused of "homophobia." He took advantage of their lax attitude at every step. The case highlights a neglected angle of the new morality: its callousness toward children and adolescents. Even if Mr. Bateman is exonerated of the current charges, Exeter deserves to pay heavily for its indulgent attitudes—an indulgence all the more odious because accompanied by moral self-congratulation.

Language and Nation

WHAT IS an American? The definition has always been problematical. Countless European writers have explored the question of what this "new man" (in St. John Crèvecœur's words) actually is, or is becoming. Perhaps the greatest of the European observers was Tocqueville, but the parade of the curious included Dickens, Arnold, Mrs. Trollope, Wilde, Chesterton.

In *The Disuniting of America*, in which he combats multiculturalism, Arthur Schlesinger Jr. concludes that shared ideas and propositions constitute the American identity, and urges that they be communicated in the schools. Others would adduce a more general shared memory and culture, including, say, Babe Ruth, Charles Lindbergh, Gettysburg, Walt Whitman. But from the start English language and culture have surely been fundamental. The children of earlier immigrants learned it eagerly in the schools. Indeed, teaching it was a principal function of the public-school system and more than half of the process then frankly called "Americanization."

In 1975, Congress passed legislation requiring assistance to those unable to read a ballot in English. This meant bilingual ballots, or permitting translators to accompany non-English-speaking voters. Congress has just passed a bill renewing this legislaton, and the President seems prepared to sign it.

That is a profound mistake. The bill is unnecessary: even a voter who knows no English at all is capable of making an informed political choice with very little effort. But the danger of such laws is that they spread the notion that immigrants and their children need not speak English in order to be fully American. It would be disastrous if that view were to take hold. The English language is the principal unifying force of a disparate American population. To undermine its central role would be to encourage the forces of fragmentation in today's America that are already strong—and growing stronger. To do so in order to curry short-term political favor with ethnic pressure groups such as La Raza would be tragically irresponsible.

NOTES & ASIDES

■ Memo to: Bill
From: Jim McF.

Maybe you missed this, but if so, a) you should not; and b) you should not deprive our readers of it. The letter is from the *Harvard Lampoon*'s lampoon of our friends at *The Dartmouth Review*, and I have to think they too thought it hilarious. Enjoy:

To the Editor:

Your article last week entitled "Student Democrat's Speech Really Blows" contains several misquotes and factual errors which I would like to address. First of all, I did not deliver my speech to "three bored freshmen and a crippled dog" as you assert, but rather to a large assembly of people gathered in Freeman Lecture Hall. You could ask any of those people, and they would tell you that this is true.

The speech was a rather staid one about the need

Views From Hillsdale College

Does It Matter Who Wins the Next Election?

Does it matter who wins the next election? This may seem like an easy question to answer: of course we're all concerned about who will lead the Congress and the Presidency for the next four years.

The 1992 elections are on everyone's mind and lots of politicians are running scared. Why? Because millions of Americans are fed up: fed up with the federal bureaucracy, fed up with the 500-plus members of Congress and their 32,000 unelected staffers, fed up with a failing educational system, fed up with higher taxes, fed up, in short, with just about everything that emanates from Washington, D.C.

Up until now, even though it was rife with scandal, Congress could be assured of perpetual incumbency, with the Senate re-election rate at 85% and the House at 98%. But many members face certain defeat at the polls in November and many have decided not to run again. And the Presidential race will be just that–a real race.

It is important to note that most of the candidates are promising not less government, but "government that works."

They've missed the point: What Americans want *is* less government. Our Founding Fathers knew that, unless stopped, government always tends to grow in size and power. Without strong limits, it is a threat to our liberty.

Certainly, it matters who wins the next election, but what matters even more is that we elect men and women dedicated to restoring limits on government.

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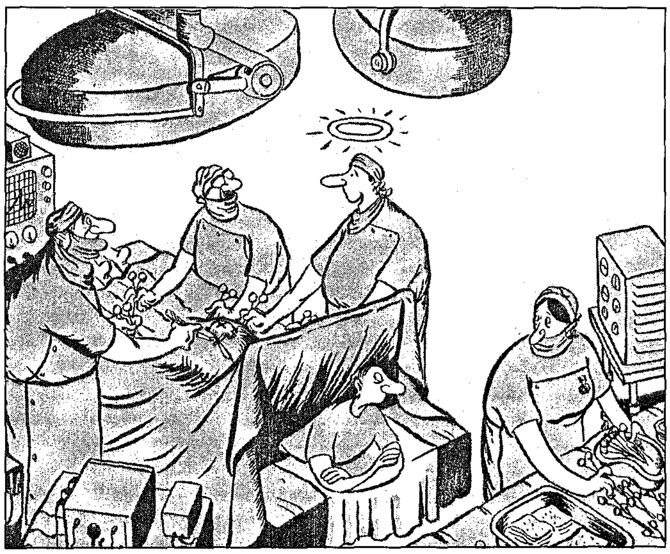

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"Anyway, one minute I was operating on the Pope—the next minute, there it was."

for economic reform. At no time in my speech did I recommend that the government "tax everyone 100 per cent, but just for a week," or say that we should "let all of the criminals out of jail for one big, fun party." I do not agree with these statements, nor did I say anything even remotely like them.

In the middle of my presentation, I did not leave to go to the bathroom and not return for 15 minutes. Neither did I at any point forget what I was talking about and start to cry. I spoke calmly for 15 minutes without interruption, after which I answered several well-put questions.

At no time in my speech did I threaten to kill the President, nor did I conclude my talk by passing a hat and "feebly asking for money to buy a sandwich." I have great respect for the Presidency, and I know full well that I can eat for free in the dining hall. Your article was incorrect in reporting all of these facts. I get the distinct feeling that your reporter was not even present at my speech.

I would also like to point out to your readers that my middle name is "Morris" not "Stenchmeister."

Edgar Morris Jones
President
Dartmouth Democrat Club

■ Dear Bill:

I am writing to ask you to help save one of the most important literary collections in the United States.

As you know, I am writing a biography of H. L. Mencken. I spend several hours each week doing research in the Mencken Room of the Enoch Pratt Free Library in Baltimore, which contains all of Mencken's private papers and clipping books and most of his manuscripts, including the unpublished *My Life as Author and Editor* and *Thirty-Five Years of Newspaper Work.* This unique collection is of the highest importance to scholars of American literature and journalism and students of the life and work of H. L. Mencken.

Any of your readers who have visited the Mencken Room in past years may remember it as a comfortable, pleasantly old-fashioned place in which to work. Unfortunately, the Mencken Room is now in a desperate state of disrepair. The ceiling leaks and has started to crumble. Several shelves of first editions and ancestral records have suffered significant water damage. Some of Mencken's bound manuscripts and clipping books, already fragile with age, have deteriorated noticeably. Unless prompt action is taken, much of the collection could eventually become unusable.

This situation is not due to any carelessness or irresponsibility on the part of the library, or of the people in charge of the Mencken Room, who fully appreciate its importance. The problem is simply one of money. The Baltimore public-library system is in dire financial straits and cannot afford to repair the Mencken Room or restore Mencken's papers. However, the library is able to accept private donations, which would be most gratefully received. All contributions should be sent directly to Averil Kadis, Director of Public Relations, Enoch Pratt Free Library, 400 Cathedral St., Baltimore, Md. 21201. Checks should be made out to the Enoch Pratt Free Library and should be marked "For Restoration of Mencken Room."

Sincerely,
Terry Teachout
Bronxville, N.Y.

■ Dear Bill:

Since I am the black sheep who started the fuss about the meaning of a certain word associated with organs, I hope you will not ignore this paean of praise to you and your *NR*. Thanks to your being "Chiff-less" at the time I wrote you, and your being man enough to admit as much in the March 16 issue, I have gotten a number of calls about poet Auburn J. Lamb appearing in *NR*.

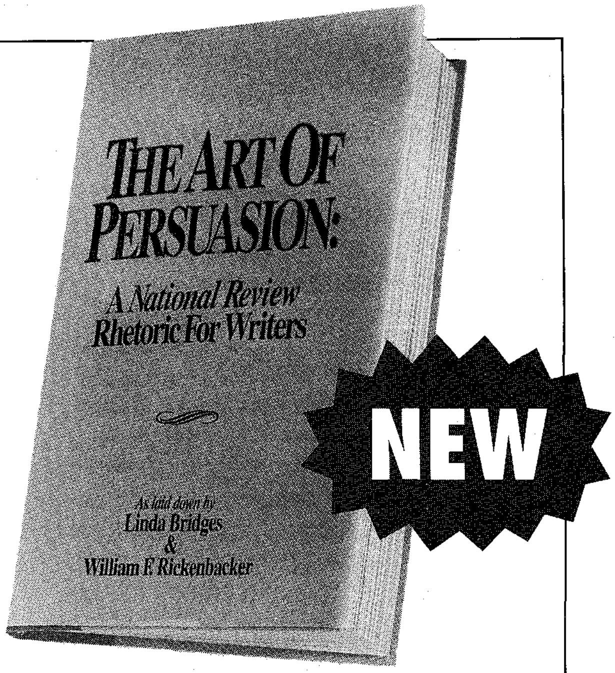
In that March 16 "Notes & Asides," you wittily said: "If it's in a poem you can always justify it on onomatopoetic grounds." Now that you are no longer "Chiff-less" (I love the play on that lovely word, don't you?), perhaps you can abide this last word on the subject.

Despite the word *chiff* being one of the biggest word-sleepers in your experience, it has helped me immensely. My thanks to you and *NR*.

Sheepishly yours,
Auburn J. Lamb
Silver Spring, Md.

Dear Mr. Lamb: Any time. Cordially, **—WFB**

Read.
Read this book.
Read this book and you won't write like this.



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—GEORGE F. WILL

Bridges and Rickenbacker are "free-spirited teachers" who "take us on a romp through Writing 401. This is no primer for beginners. This is the stuff of graduate school, the way graduate school ought to be."

—JAMES J. KILPATRICK

At long last, a *real* guide to writing, from the very magazine that's renowned for its stylishness. Bursting with simple, sensible, concrete techniques to improved writing, **The Art of Persuasion**—"laid down" by *NR*'s own Linda Bridges and William F. Rickenbacker—is definitely something you'll want to have, for yourself and/or that kinsman, friend, student or business associate.

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So *NR* decided to create something long overdue: a *useful* writing guide for the intelligent person—who knows the grammatical rules of the language, but who has been henpecked by writing "experts" into hatching dull prose.

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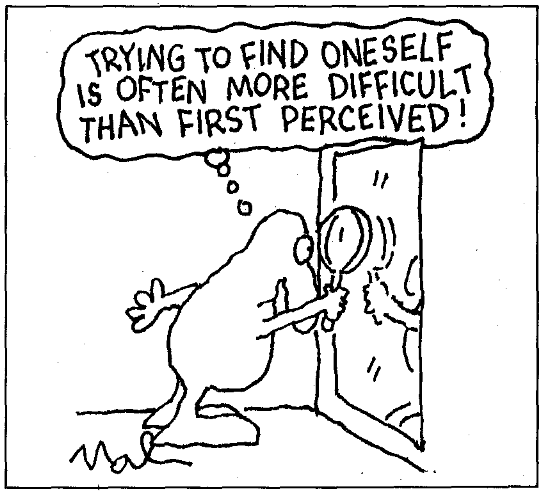
TRYING TO FIND ONESELF IS OFTEN MORE DIFFICULT THAN FIRST PERCEIVED!
Mal

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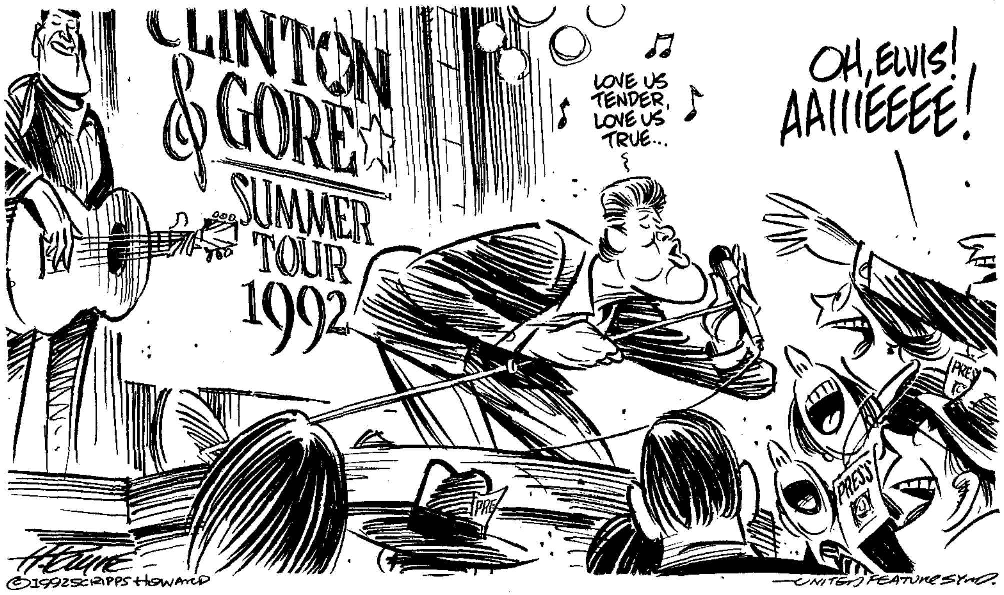
CLINTON & GORE SUMMER TOUR 1992
LOVE US TENDER, LOVE US TRUE...
OH, ELVIS! AAIIIEEEE!
PRESS
PRE

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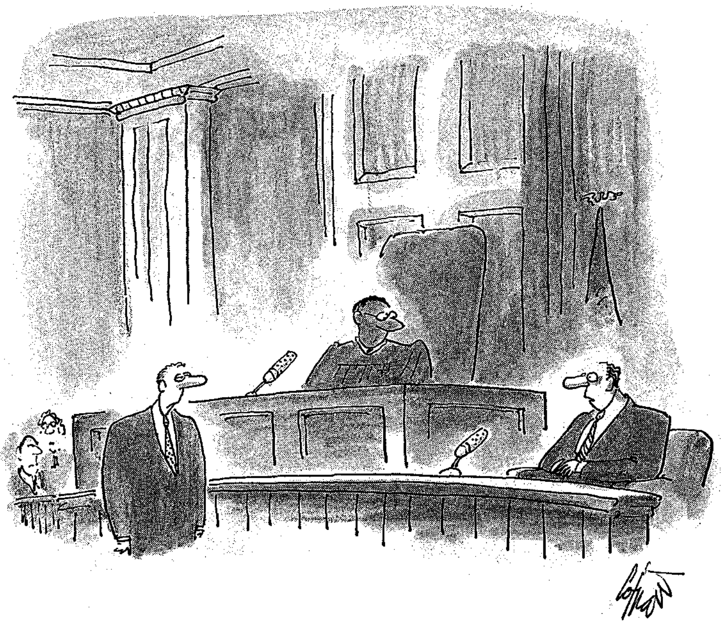
UNITED FEATURE SYND.

DISTURBED BY THE 1988 CAMPAIGN'S LACK OF SUBSTANCE, THE PRESS CORPS AGGRESSIVELY COVERS THE ISSUES IN 1992.

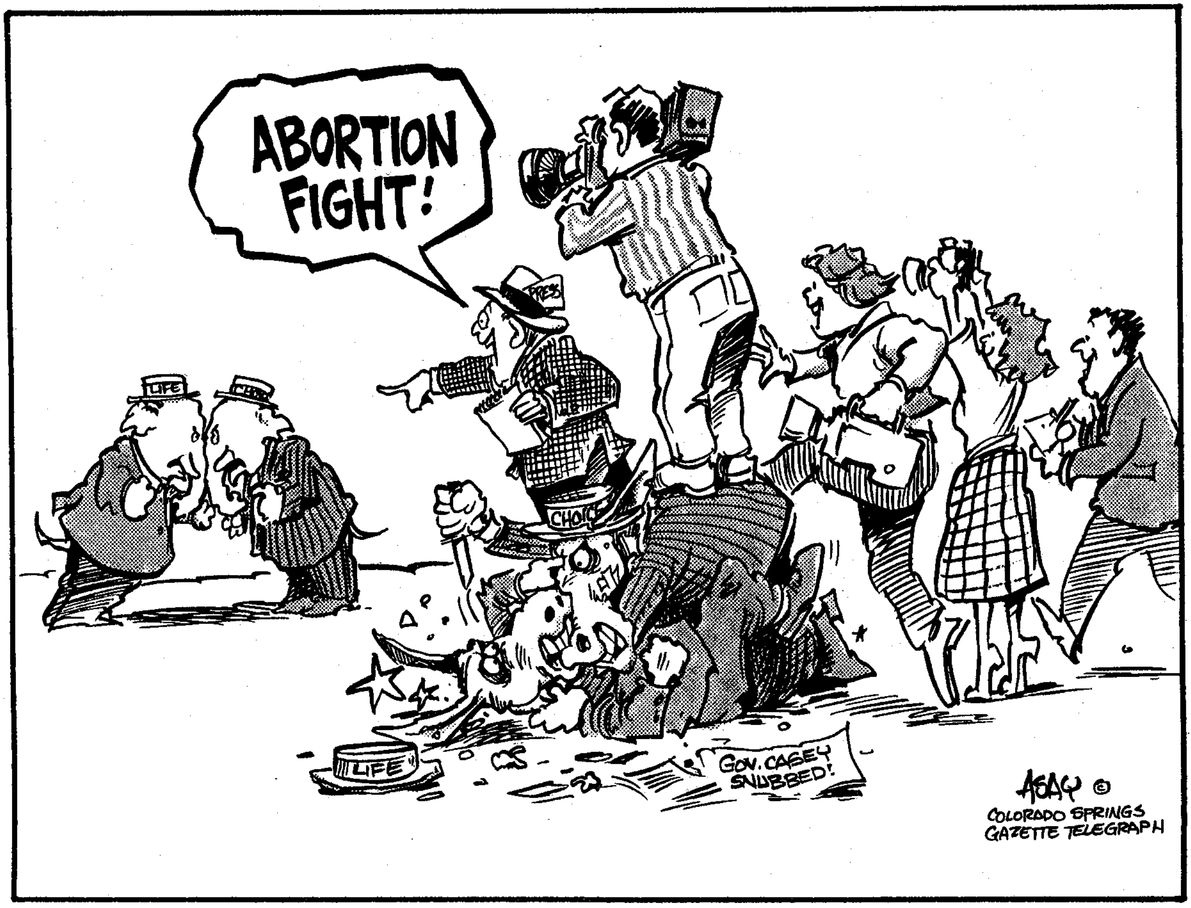
Going Pains

I always unravel
Whenever I travel,
And so I stay home with the few,
Serene and immobile,
Whom those who go global
Can send all their bright postcards *to*!

MAUREEN CANNON



"What could I do? I had no right to yell 'fire' in a crowded theatre—so they all burned up."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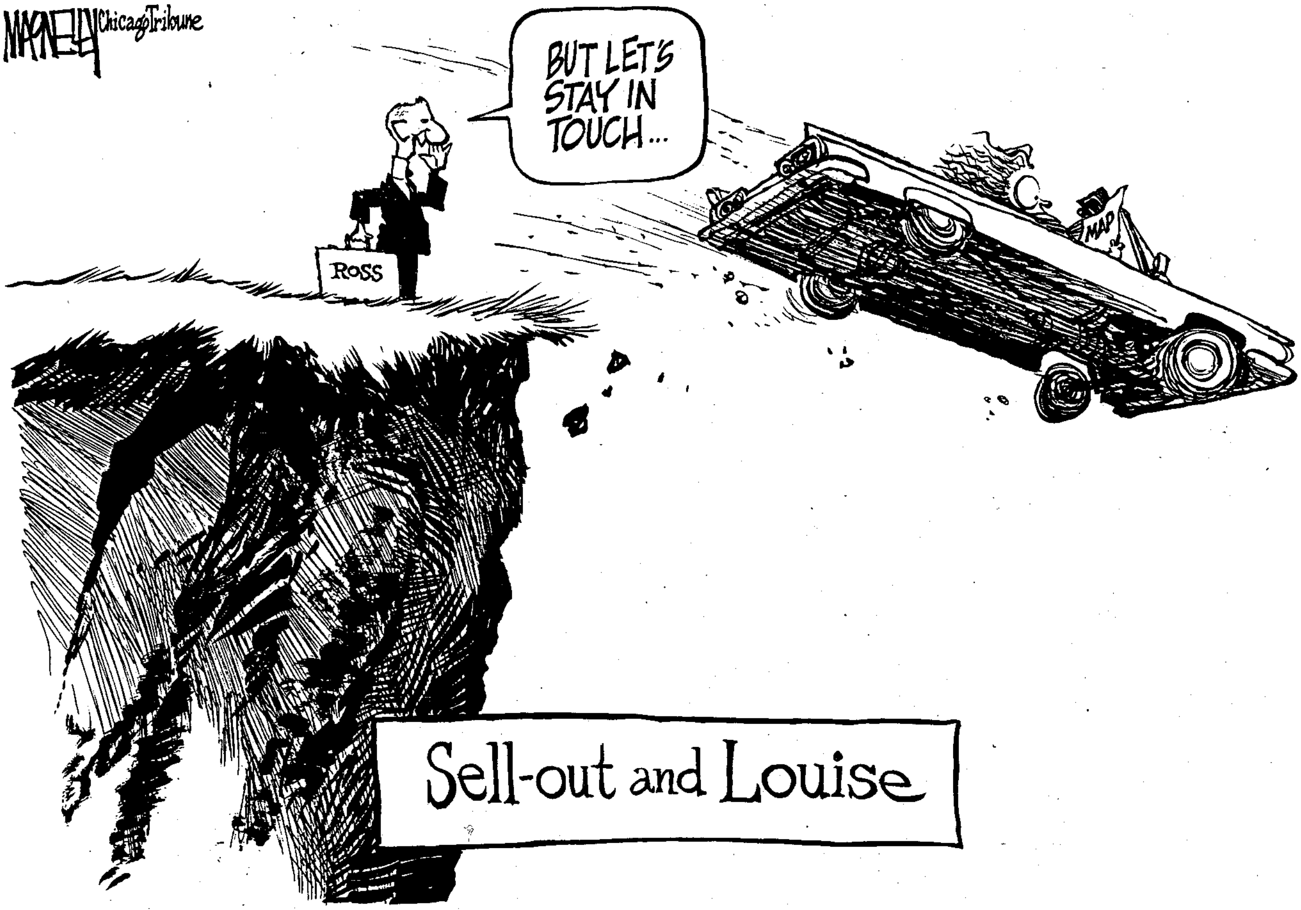
MACNELLY Chicago Tribune
BUT LET'S STAY IN TOUCH...
ROSS
MAP
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— Daniel Patrick Moynihan

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The climax of
William F. Buckley's
classic quartet.

WindFall

The End of the Affair

William F. Buckley, Jr.

With photographs by Christopher Little

RANDOM HOUSE

THE REAL REAGAN RECORD

Ronald Reagan inherited an economy that was in the midst of its worst crisis since the Great Depression. In January 1981 the unemployment rate stood at 7.4 per cent, on its way up to 10 per cent. Persistent double-digit inflation had pushed interest rates to an unbelievable 21 per cent. Real pre-tax income of the average American family had been dropping since 1976, and—thanks to bracket creep—after-tax income was falling even faster. The supply of oil and other raw materials seemed precarious. The outgoing President warned of a bleak economic future.

That era, roughly coinciding with the Carter Administration, was the last time liberal policies held sway over the economy.

Two years into Ronald Reagan's Presidency the economy began to recover. By most conventional indices the recovery was strong and sustained, outlasting Mr. Reagan's Presidency by nearly two years. And yet it was widely felt that the recovery was illusory—"smoke and mirrors," as Mario Cuomo memorably put it—and that the stock market crash in 1987 was merely the foretaste of the post-1990 recession. We propose to examine these claims in detail in the balance of this section.

—ED RUBENSTEIN

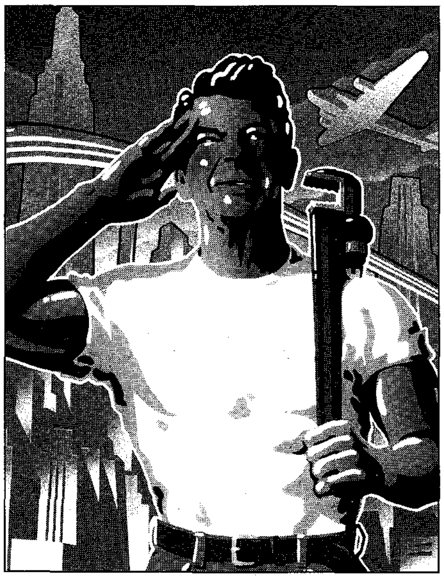
UPSTARTS AND DOWNSTARTS

Alan Reynolds

THE ECONOMIC policies presided over by Ronald Reagan were stunningly successful—except to informed opinion, as represented by the academy and the major media. The principal charge against Reagan has become almost a chant: The rich got richer, the poor got poorer, and the middle class was squeezed out of existence.

A key player in the campaign to popularize this view has been Sylvia Nasar of the *New York Times*, who relied on statistics concocted by Paul Krugman of MIT, who, in turn, garbled some already disreputable estimates from the Congressional Budget Office (CBO).

The purpose of the crusade was obvious. Mr. Krugman has been advocating that we somehow double tax collections from those earning over $200,000, so as to greatly increase federal spending. Miss Nasar openly boasted about "supplying fresh ammunition for those . . . searching for new ways to raise government revenue." Governor Clinton immediately seized upon the Krugman–Nasar statisics as the rationale for his economic plan to tax us into prosperity.


R. Kenton Nelson

Since the question is what happened in the 1980s, after the Carter Administration, it makes no sense to begin with 1977, as Mr. Krugman and Miss Nasar do, or with 1973, as the Children's Defense Fund does. Real incomes fell sharply during the runaway inflations of 1974–75 and 1979–80. Median real income among black families, for example, fell 15 per cent from 1973 to 1980, then rose 16 per cent from 1982 to 1990.

The table on p. 26 shows the actual real income of households by fifths of the income distribution, for the most commonly cited years. There is no question that *all* income groups experienced significant income gains from 1980 to 1989, despite the 1981–82 recession, and were still well ahead of 1980 even in the 1990 slump. For all

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Mr. Reynolds is Director of Economic Research at the Hudson Institute in Indianapolis.

U.S. households, the mean average of real income rose by 15.2 per cent from 1980 to 1989 (from $33,409 to $38,493, in 1990 dollars), compared with a 0.8 per cent *decline* from 1970 to 1980.

This table shows that the "income gap" did not widen merely between the bottom fifth and any "top" group, but also between the bottom fifth and the next highest fifth, the middle fifth, and so on.

A common complaint about these figures is that they exclude capital gains, and therefore understate income at the top. However, the figures also exclude *taxes*. Average income taxes and payroll taxes among the top fifth of households amounted to $24,322 in 1990, according to the Census Bureau, but capital gains among the top fifth were only $14,972. To add the capital gains and not subtract the taxes, as some CBO figures do, is indefensible. Indeed, all CBO estimates of income gains are useless, because they include an estimate of capital gains based on a sample of tax returns. Since lower tax rates on capital gains after 1977 induced more people to sell assets more often, the CBO wrongly records this as increased income. It also ignores all capital losses above the deductible $3,000, and fails to adjust capital gains for inflation.

Average Household Income

(In 1990 Dollars)

	Lowest Fifth	Second Fifth	Third Fifth	Fourth Fifth	Highest Fifth	Top 5%
1990	7,195	18,030	29,781	44,901	87,137	138,756
1989	7,372	18,341	30,488	46,177	90,150	145,651
1980	6,836	17,015	28,077	41,364	73,752	110,213
1977	7,193	17,715	29,287	42,911	76,522	117,023

Bureau of the Census, *Money Income of Households, Families & Persons: 1990*, p. 202.

The Middle-Class Boom

ONE THING that we know with 100 per cent certainty is that *most* Americans—far more than half—did very well during the long and strong economic expansion from 1982 to 1989. In those fat years, real after-tax income per person rose by 15.5 per cent, and real *median* income of families, before taxes, went up 12.5 per cent. That means half of all families had gains *larger* than 12.5 per cent, while many below the median also had income gains, though not as large. Many families had to have gained even more than 12.5 per cent, since the more familiar *mean* average rose 16.8 per cent from 1982 to 1989. Even if we begin with 1980, rather than 1982, median income was up 8 per cent by 1989, and mean income by 14.9 per cent. And even if we end this comparison with the slump of 1990, median family income was still up 5.9 per cent from 1980, and mean income was up 12 per cent.

In *U.S. News & World Report* (March 23, 1992), Paul Krugman claimed that "the income of a few very well-off families soared. This raised average family income—but *most* families didn't share in the good times" (emphasis added). Mr. Krugman apparently does not understand what a rising median income means.

The whole idea of dividing people into arbitrary fifths by income ignores the enormous mobility of people in and out of these categories. What was most unusual about the Eighties, though, was that the number moving *up* far exceeded the number moving *down*. A Treasury Department study of 14,351 taxpayers shows that 86 per cent of those in the lowest fifth in 1979, and 60 per cent in the second fifth, had moved up into a higher income category by 1988. Among those in the middle income group, 47 per cent moved up, while fewer than 20 per cent moved down. Indeed, many more families moved up than down in every income group except the top 1 per cent, where 53 per cent fell into a lower category. Similar research by Isabel Sawhill and Mark Condon of the Urban Institute found that real incomes of those who started out in the bottom fifth in 1977 had risen 77 per cent by 1986—more than 15 times as fast as those who started in the top fifth. Miss Sawhill and Mr. Condon concluded that "the rich got a little richer and the poor got much richer."

This remarkable upward mobility is the sole cause of "The Incredible Shrinking Middle Class," featured in the May 1992 issue of *American Demographics*. Measured in constant 1990 dollars, the percentage of families earning between $15,000 and $50,000 fell by 5 points, from about 58 per cent to 53 per cent. This is what is meant by a "shrinking" middle class. We know they didn't disappear into poverty, because the percentage of families earning less than $15,000 (in 1990 dollars), dropped a bit, from 17.5 per cent in 1980 to 16.9 per cent in 1990. What instead happened is that the percentage earning more than $50,000, in constant dollars, *rose* by 5 points—from less than 25 per cent to nearly 31 per cent. Several million families "vanished" from the middle class by earning much more money!

It is not possible to reconcile the increase in median incomes with the often-repeated claim that low-wage service jobs ("McJobs") expanded at the expense of high-wage manufacturing jobs. Actually, there were millions more jobs in sectors where wages were rising most briskly, which meant competitive export industries but also services. From 1980 to 1991, average hourly earnings rose by 6.8 per cent a year in services, compared with only 4.8 per cent in manufacturing. The percentage of working-age Americans with jobs, which had never before the 1980s been nearly as high as 60 per cent, rose to 63 per cent by 1989.

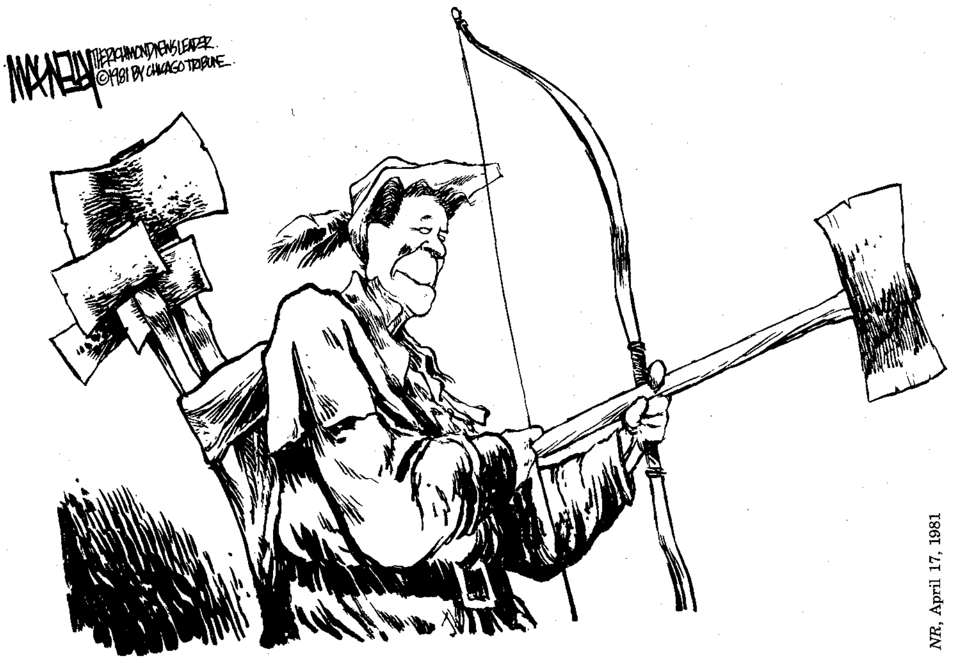
The Myth of Low-Wage Jobs

AN EDITORIAL in *Business Week* (May 25) claimed that, "according to a just-released Census Bureau study, the number of working poor rose dramatically from 1979 to 1990." This is completely false. In fact, the report shows that the percentage of low-income workers who are in poverty *fell* dramatically. Among husbands with such low-income jobs, for example, 35.7 per cent were members of poor families in 1979, but only 21.4 per cent in 1990.

Low incomes, in this report, were defined as "less than the poverty level for a four-person family" ($12,195 a year in 1990). Yet very few people with entry-level or part-time jobs are trying to support a family of four. Husbands now account for only a fifth of such low-income jobs, which are instead increasingly held by young singles and by dependent children living with their parents. Wives had 34 per cent of such jobs in 1979, but fewer than 28 per cent in 1990. That reflects the impressive fact that the median income of women rose by 31 per cent in real terms from 1979 to 1990.

It is true that the absolute *number* of low-income jobs increased in all categories, but that increase was not nearly as large as the increase in medium- and high-income jobs. All that the rise in low-income jobs really shows is that students living with their parents and young singles found it much easier to find acceptable work. The only reason fewer young people had low-income jobs back in the glorious Seventies is a larger percentage of them had no jobs at all! Only 51.4 per cent of single males had full-time jobs in 1974, but 61.8 per cent did by 1989. Young people always start out with low earnings, if they get a chance to start out at all.

In his new book, *Head to Head*, Lester Thurow writes that "between 1973 and 1990, real hourly wages for non-supervisory workers . . . fell 12 per cent, and real weekly wages fell 18 per cent." Yet these averages include part-time workers, which is why *average* wages appeared to be only $355 a week in 1991, even though half of all full-time workers (the *median*) earned more than $430 a week. Because many more students and young mothers were able to find part-time jobs in the Eighties, that diluted both the



NR, April 17, 1981

The CBO's Faulty Data

Myth: The top 1 per cent of earners got most of the income gains of the 1980s.

"We all know that there has been a redistribution of income in America. That redistribution over the last 12 years has been from average working Americans to the wealthiest 1 per cent in our nation."

—Rep. Steny Hoyer (D., Md.), Wall Street Journal, *April 8, 1992*

"Even Among the Well-Off, the Richest Get Richer—Data Show the Top 1 Per Cent Got 60 Per Cent of the Gain in the '80s Boom."

—New York Times *front-page headline, March 5, 1992*

THE Texas education establishment was rocked last year by the discovery of 230 mistakes in history books distributed in the state's schools. Among the interesting "facts" in these texts were that *Sputnik* was the Soviet Union's first intercontinental ballistic missile, that the United States easily settled the Korean conflict by using "the bomb," and that Japan attacked Pearl Harbor in 1942.

These errors were the results of innocent (albeit stupid) mistakes. The same cannot be said of the endless stream of newspaper accounts and "economic studies" purporting to show that, contrary to our best recollections, the decade of the 1980s was not a period of prosperity after all.

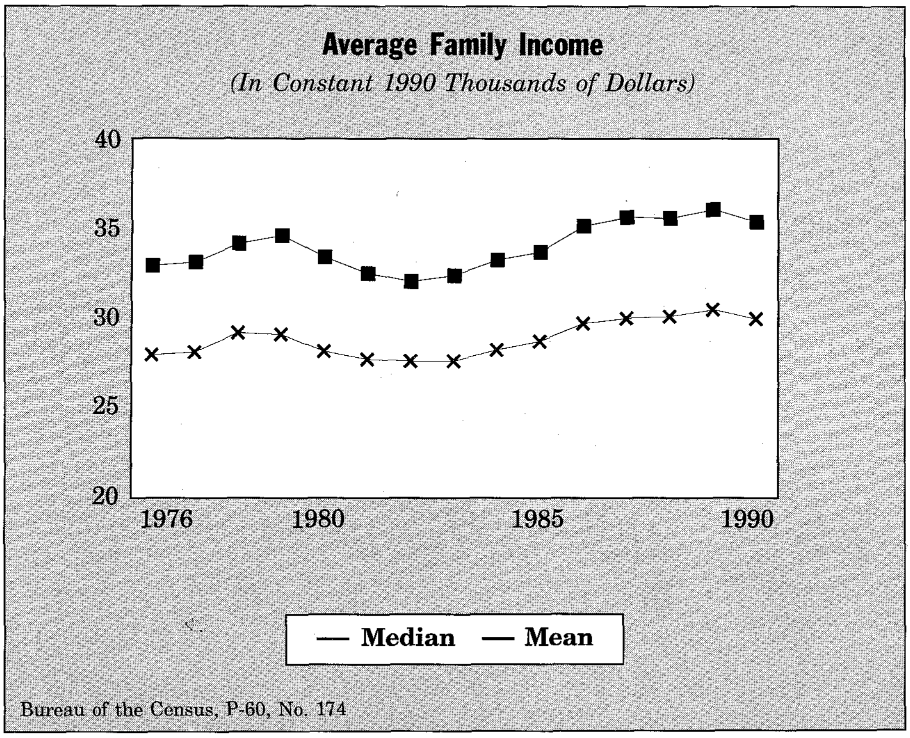
The CBO's figures are particularly suspect. Alan Reynolds details some of its errors above; another is that reporting capital gains, it does not adjust the cost of the asset for inflation. The general effect of the CBO's methodology is to exaggerate the income of the affluent while understating that of middle- and lower-income groups. Net capital losses are capped and most partnership losses are ignored, even though all capital gains and partnership income is fully counted. Furthermore, capital gains and other income accruing to the middle-income brackets in the form of pension funds (which amount to some $3 trillion) or home values are not counted.

The CBO also adopts a bizarre method of compiling income data. It assigns families to fifths with an adjustment for family size, but the income measured is not adjusted for family size. The CBO indicates that family income in the bottom three quintiles dropped between 1977 or 1980 and 1989. This is flatly contradicted by the Census Bureau, whose data show the average level of income in all quintiles rising between 1977 or 1980 and 1989. The bottom line is that middle-class real family income jumped 13 per cent during the 1982–89 expansion years.

Even if these faulty CBO data were taken at face value, they would place the era of greed, when the top 1 per cent of families had 100 per cent of net income growth, in the Carter years, 1977–80. The share of income gains going to the top 1 per cent of families was 160 per cent higher under Carter than under Reagan.

—ED GILLESPIE
& CHRISTOPHER FRENZE

Mr. Gillespie is Republican staff director of the Joint Economic Committee. . . . Mr. Frenze is an economist for the Joint Economic Committee.



Average Family Income

(In Constant 1990 Thousands of Dollars)

Bureau of the Census, P-60, No. 174

weekly and the hourly "average" wage. It most definitely did not mean that the wages of the "average worker" went down, but rather that otherwise unemployed part-time and entry-level workers were able to raise their wages above zero. The increase in part-time jobs also does not mean that families are poorer; rather, they are richer. Out of 19.3 million part-time workers in 1991, only 1.2 million were family heads, and only 10 per cent said they were unable to find full-time work.

The Rich Work Harder

ALTHOUGH the vast majority clearly had large income gains in the Eighties, Mr. Krugman and Miss Nasar nonetheless assert that those at the top had even larger gains, and that this is something that ought to provoke resentment or envy. Yet the figures they offer to make this point are grossly misleading. Moreover, the whole static routine of slicing up income into fifths is bound to show the highest percentage increases in average (mean) incomes among the "top" 20 per cent or 1 per cent. *That is because for top groups alone, any and all increases in income are included in the average, rather than in movement to a higher group.*

In his *U.S. News* article, Krugman first claimed that CBO figures show that "Ronald Reagan's tax cuts" boosted after-tax income of the top 1 per cent "by a whopping 102 per cent." That figure, though, is based on a "tax simulation model" which estimates "adjusted" incomes as a multiple of the poverty level. The top 1 per cent supposedly earned less than 22 times the poverty level in 1980, but 44 times the poverty level in 1989—hence the gain of 102 per cent. Yet this is a purely relative measure of affluence, not an absolute gain in real income. As more and more families rose further and further above the unchanged "poverty line" in the Eighties, thus lifting the income needed to be in the "top 1 per cent," the CBO technique had to show a "widening gap."

Furthermore, the share of federal income tax paid by the top 1 per cent soared from 18.2 per cent in 1981 to 28 per cent in 1988, though it slipped to 25.4 per cent in 1990. Indeed, this unexpected revenue from the rich was used to double personal exemptions and triple the earned-income tax credit, which was of enormous benefit to the working poor.

By the time Mr. Krugman's alleged 102 per cent gain at the top had reached the *New York Times*, it had shrunk to 60 per cent. However, the CBO wrote a memo disowning this estimate too, noting that "of the total rise in aggregate income . . . about one-fourth went to families in the top 1 per cent." By fiddling with "adjusted" data, the CBO managed to get that share of the top 1 per cent up to one-third. Whether a fourth or a third, these estimates still begin with 1977, not 1980. Between 1977 and 1980, the CBO shows real incomes falling by 6.6 per cent for the poorest fifth. The top 5 per cent fared *relatively* well before 1980, because everybody else suffered an outright drop in real income.

Even if the Krugman–Nasar figures had been remotely accurate, the whole exercise is conceptually flawed. In every income group except the top, many families can move up from one group to another with little or no effect on the average income of those remaining in the lower group. Above-average increases in income among those in the lower groups simply move them into a higher fifth, rather than raising the average income of the fifth they used to be in. Only the top income groups have no ceiling, as those in such a group cannot possibly move into any higher group. A rap star's first hit record may lift his income from the lowest fifth to the top 1 per cent, with no perceptible effect on the average income of the lowest fifth. But two hit records in the next year would raise the total amount of income counted in the top 1 per cent, and thus raise the average for that category.

Nobody knows exactly how much income is needed to be counted among the top 1 per cent, because the Census Bureau keeps track only of the top 5 per cent. Census officials argue that apparent changes in the small sample used to estimate a "top 1 per cent" may largely reflect differences in the degree of dishonest reporting. When marginal tax rates fell from 70 per cent to 28 per cent, for example, more people told the truth about what they earned, so "the rich" *appeared* to earn much more.

One thing we do know, though, is that the minimum amount of income needed to be included among the top 1 per cent has to have risen quite sharply since 1980, because of the huge increase in the percentage of families earning more than $50,000, or $100,000. This increased proportion of families with higher incomes pushed up the income ceilings on all middle and higher income groups, and thus raised the floor defining the highest income groups.

While $200,000 may have been enough to make the top 1 per cent in 1980, a family might need over $300,000 to be in that category a decade later. Clearly, any average of all the income above $300,000 is going to yield a much bigger number than an average of income above $200,000. The CBO thus estimates that average pre-tax income among the top 1 per cent rose from $343,610 in 1980 to $566,674 in 1992. But this 65 per cent increase in the average does *not* mean that those specific families that were in the top 1 per cent in 1980 typically experienced a 65 per cent increase in real income. It simply means that the standards for belonging to this exclusive club have gone way up. That is because millions more couples are earning higher incomes today than in 1980, not because only a tiny fraction are earning 65 per cent more.

Sylvia Nasar totally misreported the CBO's complaints with her first article, and audaciously quoted her own discredited assertions in a later *New York Times* piece (April 21). This front-page editorial changed the subject—from income to wealth. It claimed a "Federal Reserve" study had found that the wealthiest 1 per cent had 37 per cent of all net worth in 1989, up from 31 per cent in 1983. Paul Krugman, writing in the *Wall Street Journal*, likewise cited this "careful study by the Federal Reserve." Yet the cited figures are from a mere *footnote* in a rough "working paper" produced by one of hundreds of Fed economists Arthur Kennickell, along with a statistician from the IRS, Louise Woodburn. It comes with a clear warning that "opinions in this paper . . . in no way reflect the views of . . . the Federal Reserve System."

At that, all of the gain of the top 1 per cent was supposedly at the expense of others within the top 10 per cent, not the middle class or poor. In any case, the figures are little more than a guess. The authors acknowledge that they "cannot offer a formal

Adding at the Bottom

THE soundbite about the richest 1 per cent of the population is untrue in itself, as Alan Reynolds demonstrates above; it also lacks context, particularly the historical trends in the share of total income received by the richest 5 per cent of families.

Income was much more unequally distributed in the first half of this century. In 1913 the richest 5 per cent received about 30 per cent of aggregate income (excluding capital gains), and this share held until 1933, when it began a slow but steady decline, followed by a rapid decline during World War II. By 1947 the share of the top 5 per cent had fallen to 17.5 per cent of aggregate income; it declined further (to about 15.5 per cent) in the 1960s and 1970s but increased in the 1980s back to the neighborhood of 17.5 per cent. This small increase in the share of the rich is in sharp contrast with the soundbite's message of runaway inequality.

Should government attempt to reverse increases in inequality? Those who view any increase in inequality as horrendous are already proposing schemes for redistributing income. However, any response requires that we first know what caused the increased inequality, a relatively small change in historical perspective.

Many commentators attribute the change to the Reagan Administration's tax policies. But the changes in income distribution look quite similar whether based on pre-tax or post-tax income. Moreover, general increases in the inequality of earnings started a decade before the 1982 tax cut. So we must look to other causes.

Accumulating research shows that changes in the labor market have resulted in higher wages for college graduates and depressed wages for young men with lower levels of schooling. These shifts in relative wages are partly due to advances in technology, boosting productivity and increasing the demand for highly skilled workers. This trend occurred not only in the United States, but internationally.

Within the United States, however, another trend is also at work: a huge wave of immigration has reduced the wages of low-skill workers. In the 1970s 4.5 million immigrants were legally admitted, and many more came illegally; in the 1980s legal immigration rose to 7.4 million, with additional millions of illegal entrants. The vast majority of immigrants from Central and South America (who make up about one-half of the total) have considerably lower levels of schooling than native-born Americans. (In 1980 Mexican immigrants on average had completed only seven years of school, five years less than the average worker in the U.S.). The most obvious effect in the U.S. is to add a new group of workers with lower skills who are available for low-wage work (by U.S. standards). This depresses *average* wages and income in the lowest brackets. The immigrants themselves typically enjoy large wage increases over what they were earning in their native countries. And while some low-skill native-born workers may find their wages lowered still more by this increased supply, many move up into higher brackets.

Not only have relative wages and incomes of Hispanics in the U.S. declined over the past 15 years as the Hispanic population has nearly doubled through immigration, but wage inequality among the Hispanic population has also increased, and this is probably due to the increasing diversity of that population. The earnings gap widened between native-born Hispanics, with higher education levels and English-speaking skills, and the new Hispanic immigrants.

In the past, waves of immigration caused transitional increases in wage and income inequality that faded as the immigrants' skills increased. The much greater levels of income inequality that existed early in this century were probably partly traceable to the very heterogeneous amalgam of immigrants and native-born Americans. We again appear to be moving through one of these transitional phases of increased inequality due to surges in immigration. Only this time we have an additional factor—increased demand for skilled labor due to technological changes and trade patterns—adding to inequality. —JUNE O'NEILL

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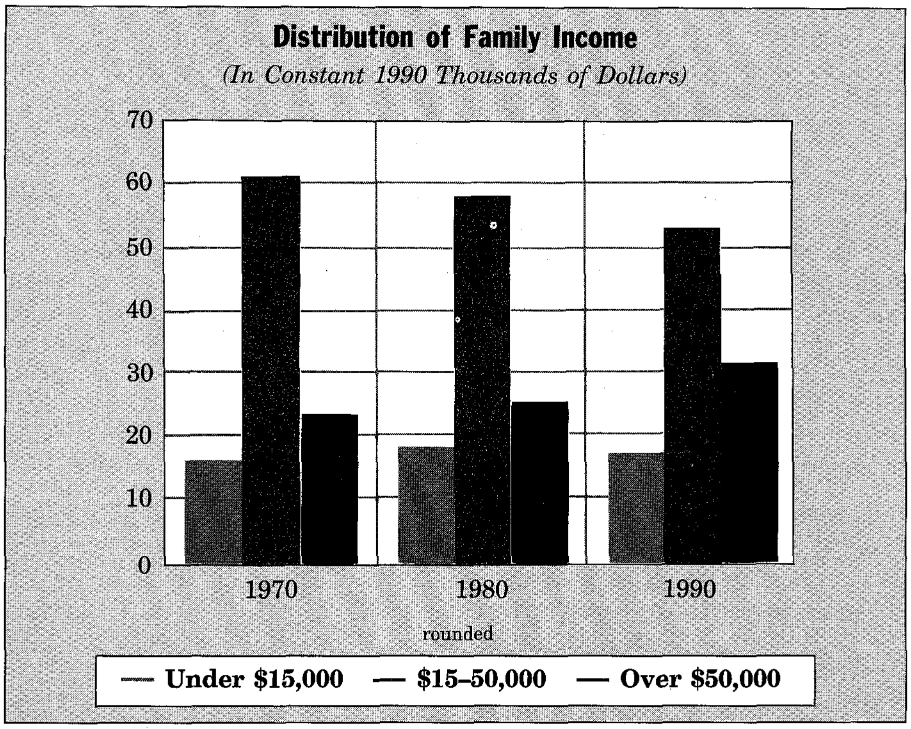

Distribution of Family Income

(In Constant 1990 Thousands of Dollars)

statistical test of the significance of the change."

"The 1983 and 1989 sample designs and the weights developed are quite different," they write. "The effect of this difference is unknown." Their estimated range of error does not account for "error attributable to imputation or to other data problems." Yet it is nonetheless within that range of error for the share of net worth held by the top 1 per cent to have risen imperceptibly, from 34.5 to 34.6 per cent. This is why Kennickell and Woodburn say their estimates merely "suggest that there may have been an increase in the share of wealth held by this top group in 1989." Or maybe not.

The actual, official Federal Reserve study tells a quite different story. It shows that real net worth rose by 28 per cent among 40 per cent of families earning between $20,000 and $50,000, but by only 6.6 per cent for the top 20 per cent, earning more than $50,000. Since this huge increase in net worth among those with modest incomes means their assets grew much faster than their debts, this also puts to rest the myth that the Eighties was built upon "a mountain of debt." It was, instead, built upon a mountain of assets, particularly small businesses.

Children without Fathers

WHAT about the poor? There is no question that there has been a stubbornly large increase of people with very low incomes. However, annual "money income" turns out to be a surprisingly bad measure of ability to buy goods and services. In 1988, average consumer spending among the lowest fifth of the population was $10,893 a year—more than double their apparent income of $4,942. That huge gap occurs partly because annual incomes are highly variable in many occupations, and many people have temporary spells of low income, due to illness or job loss. People can and do draw upon savings during periods when their income dips below normal.

Another reason why those in the bottom fifth are able to spend twice their earnings is that many in-kind government transfers (such as food stamps) are not counted as "money income." Census surveys also acknowledge that a fourth of the cash income from welfare and pensions is unreported. And, of course, very little income from illegal activities is reported. In CBO figures, incomes of low-income families are further understated by counting singles as separate families, as though young people stopped getting checks from home the minute they get their first apartment.

Despite such flaws in measured income, nearly all of the income differences between the bottom fifth and the top fifth can nonetheless be explained by the number of people per family with full-time jobs, their age, and their schooling. Among household heads in the lowest fifth, for example, only 21 per cent worked full-time all year in 1990, and half had no job all year. In the top fifth, by contrast, the average number of full-time workers was more than two.

The May 25 *Business Week* editorial noted that "the percentage of Americans below the poverty line rose from 11.7 per cent in 1979 to 13.5 per cent in 1990." Yet this poverty rate is exaggerated, because it is based on an obsolete consumer price index that mismeasured housing inflation before 1983. Using the corrected inflation measure, the poverty rate was 11.5 per cent in 1980 and 11.4 in 1989, before rising to 12.1 per cent in 1990. That 12.1 per cent figure, though, is only one of 14 different Census Bureau measures of poverty, and not the most credible. Like income for the "bottom fifth," the usual measure of poverty excludes many in-kind transfer payments, as well as cash from the earned-income tax credit. By instead including such benefits, and also subtracting taxes, the Census Bureau brings the actual poverty rate down to 9.5 per cent for 1990, or to 8.5 per cent if homeownership is considered (those who own homes need less cash because they don't pay rent).

Even by the conventional measure, the poverty rate among married-couple families dropped slightly, from 5.2 per cent in 1980 to 4.9 per cent in 1990, and poverty rates among those above age 65 have fallen quite substantially. On the other hand, among female household heads with children under the age of 18 and "no husband present," poverty rose from 37.1 per cent in 1979 to 39.9 per cent in 1980, and then to 41.6 per cent by 1990.

The poverty rate among fatherless families, then, is slightly higher now than it was in the previous decade, and is lower if these young women work. (Among female householders with children under the age of 6, the poverty rate among those with jobs dropped from 20.2 per cent in 1979 to 17.9 per cent in 1989, and the percentage of such mothers who worked full-time rose from 24.9 to 30.6 per cent.) But there are so many more female-headed households, and so few of these women work, that the net effect is nonetheless to keep the overall poverty rate from falling. The number of female-headed households with children under age 18 rose from 5.8 million in 1979 to 7.2 million in 1989. In too many cases, these mothers are so young that child-labor laws would not allow them to work in any case.

In March 1991, the average money income of female-headed families with children was only $17,500, and most of that money (plus food stamps, housing allowance, and Medicaid) came from taxpayers. For married couples who both worked full-time, average income was $55,700 before taxes—about enough to put the *average* two-earner family in the top fifth. Taxing hard-working two-earner families to subsidize broken, no-earner families can only discourage the former, encourage the latter, and thus exacerbate the problems it pretends to solve.

To summarize what actually happened in the 1980s, the "middle class," and the vast majority by any measure, unquestionably experienced substantial gains in real income and wealth. With millions more families earning much higher incomes, it required much higher incomes to make it into the top 5 per cent or top 1 per cent, which largely accounts for the illusion that such "top" groups experienced disproportionate gains. The rising tide lifted at least 90 per cent of all boats. About 9 to 12 per cent continued to be poor, but this group increasingly consisted of female-headed households with young children. More and better jobs cannot help those who do not work, improved investment opportunities cannot help those who do not save, and increased incomes cannot help families whose fathers refuse to support their own children. □

DEBT, LIES, AND INFLATION

Paul Craig Roberts

THE pro-entrepreneurial policies supported by Ronald Reagan and supply-side economics pose a massive threat to interests of the rent-seeking Democratic and Republican establishments, as well as to the ideological commitments of left-leaning media and academic pundits. It is not surprising, then, that the American public has been subjected to an unprecedented disinformation campaign against "Reaganomics." The campaign was carefully crafted to appeal to conservatives who have long been convinced that public debt is a certain road to national collapse. President Reagan was shown to have increased the public debt even more

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More than McJobs

Myth: Most of the jobs created during the Eighties were of the dead-end, burger-flipper variety.

"Caught between the lawmakers in Washington and the dealmakers on Wall Street have been millions of American workers forced to move between jobs that once paid $15 an hour into jobs that now pay $7.

"As a result, the already-rich are richer than ever; there has been an explosion in overnight new rich; life for the working class is deteriorating, and those at the bottom are trapped."

—Donald L. Barlett and James B. Steele, "America: What Went Wrong," Philadelphia Inquirer, *October 20, 1991*

Contrary to what everyone knows to be true, 82 per cent of the jobs created during the Reagan recovery were in the higher-paying, higher-skilled occupations (technical, precision production, managerial, and professional). Many of these are "service" jobs, including positions in law, advertising, computers, and medicine. Only 12 per cent of the increase in employment occurred in the lowest-paid, low-skilled service occupations such as retailing and fast-food restaurants.

Studies purporting to show an erosion of job quality are quite often flawed. In December 1986, for example, a report commissioned by the Democratic members of the Joint Economic Committee concluded that six out of every ten new jobs created during the expansion paid less than $7,000 per year. The study, however, failed to note the high-proportion of (voluntary) part-time workers among newly employed individuals. —ED RUBENSTEIN

Job Creation in the Eighties

Job Category	Jobs Created, Jan. 1982-Dec. 1989: Number (Mils.)	Jobs Created, Jan. 1982-Dec. 1989: Percentage Increase	1989 Median Earnings
Managerial/ Professional	7.600	33.1%	$32,873
Production	2.194	19.0	25,831
Technical	6.630	21.8	20,905
Operators	1.374	8.2	19,886
Services	2.210	16.8	14,858
Farming	–0.116	–3.7	13,539
Total	19.892	20.3%	$23,333

Source: BLS (employment); Census Bureau (earnings)

Mr. Rubenstein is NR's economics analyst.

than the despised Jimmy Carter. President Reagan's policies had left Americans uniquely burdened with red ink, and the country was collapsing beneath the "Twin Towers of Debt." Only another tax increase could save us.

The twin towers of debt were budget and trade deficits, and the implication was that only Americans were burdened with these ills. As the result of them, we had been rendered economically uncompetitive, hopelessly in debt to foreigners, and at their mercy. The day the Japanese stopped buying our Treasury bonds, interest rates would skyrocket, and our economy would plunge over the precipice. Moreover, federal irresponsibility had encouraged corporate and household debt to explode as well. Wherever one looked, the U.S. was smothered in debt.

How Much Debt?

HOUSEHOLD DEBT AS % OF GDP

	'80	'81	'82	'83	'84	'85	'86	'87	'88	'89	'90
U.S.	55	53	54	55	56	60	64	66	67	69	72
Japan	54	56	58	60	61	61	63	68	71	74	76
Germany	10	10	10	10	10	11	11	11	11	11	11
France	44	44	42	42	45	45	44	48	51	55	53
Italy	6	6	6	6	7	7	8	8	9	10	NA
U.K.	39	43	46	50	54	58	63	68	73	77	80
Canada	56	51	49	50	48	50	53	56	58	60	62

CORPORATE DEBT AS % OF GDP

	'80	'81	'82	'83	'84	'85	'86	'87	'88	'89	'90
U.S.	74	74	76	77	82	85	89	91	92	93	91
Japan	149	149	151	159	160	161	162	182	187	191	196
Germany	90	88	90	93	94	109	104	95	99	107	102
France	137	130	127	142	152	166	201	187	242	289	246
Italy	98	100	91	90	93	131	152	122	127	NA	NA
U.K.	94	96	105	112	124	128	147	152	159	183	168
Canada	174	179	176	169	168	169	170	170	167	168	169

GOVERNMENT DEBT AS % OF GDP

	'80	'81	'82	'83	'84	'85	'86	'87	'88	'89	'90	'91
U.S.	19	19	22	24	25	27	30	31	31	31	34	36
Japan	17	21	23	26	27	27	26	21	18	15	11	8
Germany	14	18	20	21	22	22	22	23	24	22	23	24
France	14	14	18	20	21	23	26	25	25	25	25	25
Italy	54	58	64	69	74	81	86	91	94	96	98	101
U.K.	47	46	46	46	47	46	45	43	36	31	30	30
Canada	12	11	17	23	27	33	37	38	37	40	43	48

Source: OECD; percentages rounded to nearest percentage point

This story has been repeated relentlessly for a decade despite its lack of any factual basis. Throughout the disinformation campaign, the Organization for Economic Cooperation and Development (OECD) twice a year published internationally comparable statistics on public, corporate, and household debt that reveal nothing unique about U.S. debt levels. If we have too much debt, so do our competitors in the Group of Seven industrialized countries. If we are dependent on our G-7 partners to finance our debts, who is financing theirs?

As the information in the table below shows, U.S. public debt as a share of gross domestic product is below the G-7 average. U.S. corporate debt as a share of GDP is the lowest of the G-7 countries. And U.S. household debt as a share of GDP, while above average, is lower than Japanese and British household debt.

The OECD's measure of public debt, which includes federal, state, and local, reveals nothing unusual about the growth or level of U.S. public debt. During the 1980s, only Germany and France have had public-debt ratios consistently lower than the United States', and the difference is not large. The UK has had a lower ratio only since 1990, and Japan's ratio has been lower only since 1986. Italy and Canada have substantially higher ratios. The U.S. ratio has almost doubled since 1980, but Canada's has increased fourfold. All the public-debt ratios have increased except the Japanese and British, which fell during the second half of the decade—proof governments can bring debt under control. Moreover, the British ratio fell following the massive Thatcher tax-rate reduction—proof that tax-rate reduction does not cause debt to rise.

U.S. non-financial corporations may be over-leveraged and burdened with junk bonds, but their aggregate gross debt ratio is by far the lowest in the Group of Seven.

The gross household debt ratios suggest that if the American consumer is overburdened, so are the British, Japanese, and Canadians. It is Germany and Italy, with extremely low ratios, that are the anomalies.

Overall, there appears to be a rough balance of sorts. Countries with relatively high public-debt ratios tend not to have high corporate and household debt ratios also, and vice versa. But whatever we make of the figures, one thing is clear: The United States is not uniquely burdened with debt.

The Twin Towers of Debt argument was constructed by economists such as Martin Feldstein, who apparently lack the ability to read balance-of-payments statistics. According to their totally spurious argument, large budget deficits from the loss of tax revenues brought high interest rates. Lured by high interest rates, foreign money poured into the U.S., pushing up the dollar and causing the trade deficit. Thus, the two pillars of debt were both due to cutting tax rates. Between 1982 and 1983, when the U.S. became a net importer of capital, many academic economists joined Feldstein in putting out the story of foreign money pouring into America to finance over-consumption caused by the Reagan tax-rate reduction. Reaganomics was portrayed as an extreme form of Keynesianism that was causing America to disinvest and deindustrialize.

In fact, the official balance-of-payments statistics show no evidence of the foreign money that allegedly was financing excessive U.S. consumption. As the table below shows, between 1982 and 1983 foreign-capital inflow into the U.S. actually fell by $9 billion. The change in the capital account of the balance of payments resulted from a $71-billion fall in U.S. capital *outflows*. During 1982–84 there was no significant change in the inflow of foreign capital into the United States. However, U.S. capital outflows dropped from $121 billion to $22 billion—a decline of 80 per cent—throwing the U.S. capital account into a $100-billion surplus. It was this collapse in U.S. capital outflow that created the large trade deficit, which by definition is a mirror image of the capital surplus.

Why did American investors suddenly cease exporting their capital and instead retain it at home where it supposedly was subject to reckless policies of inflationary debt accumulation? After all, such a dangerous program as Reagan's was alleged to be should have resulted in capital flight. Why then the sudden preference of American capital for the U.S. as compared, for example, to West Germany, a country with an economic policy that everyone considered sound?

The answer is so obvious that the only mystery is how economists and financial writers missed it. The 1981 business-tax cut and the reductions in personal-income-tax rates in 1982 and 1983 raised the after-tax earnings on real investment in the U.S. relative to the rest of the world. Instead of exporting capital, the U.S. retained it and financed its own deficit.

The spectacle of almost every economist misinterpreting the source of the capital surplus is extraordinary. Economists looked at the net figure, ignored its composition, and, seeing what they wanted to see, erroneously concluded that the net inflow was foreign money financing American overconsumption.

After convincing themselves and many others on the basis of this fundamental error that the U.S. was dangerously dependent on foreign capital, economists began warning of the consequences. The inflow of foreign money to finance our consumption, they declared, was keeping the dollar high, thus wrecking the competitiveness of U.S. industry. Furthermore, our addiction to foreign capital meant that the U.S. would have to maintain high interest rates in order to continue to attract the money, thus undermining U.S. investment and deindustrializing America. If U.S. interest rates or the dollar were to fall, foreign capital would flee, depriving us of financing for the "twin deficits."

U.S. Capital Account, 1980 to 1987

(Billions of Dollars)

	1980	1981	1982	1983	1984	1985	1986	1987
1. Capital inflow to U.S.	58	83	94	85	102	130	213	203
2. Less: Capital outflow from U.S.	86	111	121	50	22	31	96	64
3. Equals: Net Identified capital inflow	–28	–28	–27	35	80	99	117	139
4. Plus: Statistical discrepancy and other inflows	26	21	36	11	27	18	24	22
5. Equals: Net capital inflow to U.S.	–2	–7	9	46	107	117	141	161
6. Current account balance	2	7	–9	–46	–107	–116	–141	–161

Source: U.S. Department of Commerce; + implies inflow, – outflow

This doomsday scenario was picked up by journalists and kept international markets unnerved. U.S. economic policy came under ever-stronger criticism from our allies. America's "twin deficits" became the scapegoat for every country's problems.

Then, in the autumn of 1985, Secretary of the Treasury James A. Baker III engineered the political fall of the dollar, which plunged, along with U.S. interest rates, in 1986 and 1987. Remarkably, foreign capital inflows to the U.S. promptly doubled.

There's More . . .

THE TWIN TOWERS of Debt argument was also contradicted by the behavior of interest rates. As the budget deficit rose, interest rates fell. The high interest rates that retirees fondly recall *preceded* the large deficits. An inverted yield curve, with short-term rates above long-term rates, characterized the economy in 1979, 1980, and 1981. The inverted yield curve is a sign that high interest rates are caused by stringent monetary policy. The federal-fund rate, an overnight rate set by the Fed, was higher than the interest rate on long-term triple-A corporate bonds from October 1978 to May 1980, from October 1980 to October 1981, and from March 1982 to June 1982. The federal-funds rate exceeded the corporate-bond rate by 5.57 percentage points in April 1980 and by 5.69 percentage points in December 1980. In January 1981, when Mr. Reagan was inaugurated as President, the gap peaked at 6.27 percentage points. Overall, interest rates peaked in 1981, with the budget deficit unchanged from its previous year's level. Reagan's budget deficit peaked in 1986 at three times the size of the 1981 deficit, with the federal-funds rate only one-third as high as it was in 1981. By the summer of 1992, Bush's budget deficit was twice the size of Reagan's, and interest rates (long and short) had fallen to the lowest levels since the 1960s. None of the predicted financing problems of the debt have materialized.

But what about the debt? Isn't it historically high, and, unlike the past when we "owed it to ourselves," don't foreigners hold a dangerously high percentage? The answer to both questions is "no." The accumulated public debt today as a share of GNP is less than half what it was in 1946. We financed World War II by borrowing, and at the close of the war the public debt was 127 per cent of GNP. This huge debt overhang did not prevent the postwar expansion of the U.S. economy. Taxes were not raised to pay off the debt, and government spending was not cut. Government spending has grown consistently during the postwar period, as has the public debt. But the economy grew, too, and we grew out from under the debt.

During the 1980s, the ratio of public debt to GNP rose slightly, back to where it had been under John Kennedy. Under George Bush the ratio has risen further, due in part to his resumption of tax-and-spend policies and to a weak economy, but primarily to the negative impact the 1986 Tax Reform Act has had on real-estate values and insured financial deposits. Unless the bailout of insured deposits becomes an ongoing activity of the government, the deficit should decline again, both absolutely and as a share of GNP, as it did in the latter part of Reagan's second term.

As for foreign holdings of U.S. debt, the official U.S. statistics show they peaked in 1978 as a percentage of the total. The recycling of petrodollars had a bigger impact on foreign holdings of U.S. debt than the budget and trade deficits of the 1980s.

But what about investment? Isn't it true that investment measures show the U.S. to be in decline? The illusion of the U.S. as a disinvesting nation was created by incompetent economists measuring investment in net nominal terms, without adjusting for inflation and for shifts in the composition of investment. During the 1980s, prices of capital goods in the U.S. rose only about half as fast as the overall U.S. inflation rate. Unless an inflation-adjusted measure of investment is used, the decline in the relative price of capital goods can be misinterpreted as a fall in investment's share of GDP.

Measuring investment net of depreciation or replacement of the capital used in production has the same result. On the surface net investment seems to be a more reliable measure than gross investment. However, net investment fails to make any adjustment for the shift in the composition of investment from longer-lived assets, such as buildings, to shorter-lived assets, such as equipment, that generate more rapid depreciation. Net investment has been falling as a share of U.S. GNP for the past 25 years as a result of a rise in the depreciation rate corresponding to an increase in equipment's share of investment. By misinterpreting a change in asset mix as a decline in investment, economists painted a false picture of disinvestment. As the table below shows, real gross investment's share of GNP in the 1980s was unprecedented in the postwar era.

Prompted by criticisms from economists that U.S. Government statistics were failing to detect a weakening in the nation's industrial base, the Commerce Department undertook a two-and-a-half year study of American manufacturing. The study, released in 1991, shows that the 1980s were years of an almost unbelievable revival by U.S. industry.

Real Gross Business Fixed Investment As a Percentage of GNP

Years	Total	Structures	Equipment
1960–64	8.76%	4.05%	4.72%
1965–69	10.23	4.38	5.85
1970–74	10.36	4.12	6.24
1975–79	10.57	3.80	6.77
1980–84	11.51	4.52	6.99
1985–89	11.40	3.95	7.45
1959–90	10.44	4.11	6.32

In a front-page story that must have been galling for that paper's editorial writers, the *New York Times* reported on February 5, 1991, that the rate of growth in U.S. manufacturing productivity had tripled during the 1980s and now was on a par with Japan's and Europe's, and that manufacturing's share of GNP had rebounded to the "level of output achieved in the 1960s when American factories hummed at a feverish clip." Far from losing its competitiveness, the report revealed, the U.S. had experienced an unprecedented export boom.

Turning Japanese

ON the rare occasion when they are confronted with facts, the purveyors of disinformation retreat to lesser theses. Foreigners, they say, can afford more debt than Americans because they save more. The high Japanese saving rate is invoked as proof of the failure of Reagan's tax cuts. If only we had not cut taxes, we would not have the deficits and, therefore, would be saving more.

But the high Japanese saving rate, used to deflate American economic success in the 1980s, is apparently another fable. In the spring 1989 issue of the *Quarterly Review* of the Federal Reserve Bank of Minneapolis, University of Pennsylvania Professor Fumio Hayashi points out that most of the "apparent savings-rate gap between Japan and the U.S. is a statistical illusion attributable to differences in the way the two countries compile their national income accounts."

The Japanese value depreciation at historical cost rather than at the higher replacement-cost figure that Americans use. As a result, Japanese accounting understates the value of assets used in production and makes Japanese investment look higher than it is. Another source of the saving-gap illusion is the U.S. practice of counting all government expenditures—including money spent on roads, schools, and warships—as consumption, whereas Japan counts such spending as investment. Once the accounting systems are put on an equal footing, Hayashi finds, the notoriously wide difference in the savings rate disappears.

Economists who look carefully at the subject have found that the gloomy view of the U.S. as a community of spendthrifts is without foundation. For example, Robert E. Lipsey of Queens College and Irving B. Kravis of the University of Pennsylvania studied savings and investment rates in industrialized countries and found that America's bad reputation is based on careless comparisons and narrow measures of investment. This is consonant with other distortions, for example the myth that Reaganomics was based on the belief in self-financing tax cuts and that the deficits prove its failure. In fact, all the official public documents setting out the Reagan program show that the tax reductions at the heart of the 1981–85 budget plan are based on the traditional Treasury static-revenue estimate that every dollar of tax cut would lose a dollar of revenue.

President Reagan's economic program was set forth in an inch-thick document, "A Program for Economic Recovery," made available to the public and submitted to Congress on February 18, 1981. Tables in the document make it unmistakably clear that the Administration expected the forthcoming tax cut to reduce revenues substantially below the amounts that would be collected in the absence of such a cut. Without the tax cut, revenues were projected to rise from $609 billion in 1981 to $1,159.8 billion in 1986. With the tax cut, they were projected to rise from $600.2 billion in 1981 to $942 billion in 1986. The total six-year revenue cost of the tax cut was thus estimated at $718.2 billion.

As the tax-rate reduction was expected to slow the growth of revenues, receipts as a percentage of GNP were expected to fall from 21.1 per cent in 1981 to 19.6 per cent in 1986. Accordingly, the document spelled out the necessity of slowing the growth of spending in order to avoid rising deficits. The Administration planned to hold the annual growth of spending to 6 per cent during 1981–84 and to 9 per cent during 1984–86. On this basis, the Reagan budget projected a rise in spending (including the defense buildup) from $654.7 billion in 1981 to $912.1 billion in 1986.

A summary fact sheet showing the expected revenue losses and planned spending reductions was put out for wire transmission. Months of testimony and debate followed, during the course of which the massive revenue losses were in the forefront. After the Economic Recovery Tax Act of 1981 was passed, the Treasury Department issued to the media a comprehensive report on the legislation, including a three-page table detailing the revenue loss for each of its provisions. (Between introduction and final passage of the bill, the estimated total six-year revenue cost had grown slightly, from $718.2 to $726.6 billion.)

The Reagan deficit forecast was off, not because of a "Laffer curve forecast," but because the inflation rate unexpectedly collapsed. This surprised almost everyone, especially the critics who had repeatedly claimed that the Reagan tax cuts would be inflationary. Since monetary policy was a "weak sister," pundits proclaimed that not even tight money (itself unlikely) could subdue the inflationary impact of such a large tax cut.

As any economist should know, a budget forecast is based on an assumption about the growth path of nominal GNP. If the inflation forecast is wrong, so will be the GNP, revenue, and deficit forecasts. The consumer price index tells the story: For 1981 the Reagan Administration forecast 11 per cent inflation versus 8.9 per cent actual; for 1982, 8.2 per cent versus 3.9 per cent; for 1983, 6.2 per cent versus 3.8 per cent; for 1984, 5.4 per cent versus 4.0 per cent. (In 1981 critics had derided what turned out to be a pessimistic inflation forecast as "optimistic," a "rosy scenario," and "not credible.") The unanticipated disinflation, together with the loss in real output from the 1981–82 recession resulted in GNP during 1981–86 being $2.5 trillion less than forecast—with an estimated loss of federal revenue of $500 billion, and higher real spending than intended. This is the cause of the budget deficits.

"Ever have one of those days where you don't give a damn what's *deductible?"*

Lest we forget, supply-side economics was controversial because of its claim that worsening "Phillips curve" tradeoffs between inflation and employment were the product of a policy mix that pumped up demand while reducing incentives to supply. By reducing the growth rate of money while improving incentives, the economy could escape from its malaise.

Supply-side economics made good on its promise, and Ronald Reagan delivered both the longest peacetime U.S. expansion and disinflation. This achievement has been buried under a pack of lies told by people whose reputations exceed what their integrity warrants. They succeeded in their goal of pushing the Bush Administration away from successful policies and toward self-destruction. ☐

TO CUT AND TO PLEASE

Norman B. Ture

ONE of the standard allegations is that the very large budget deficits were caused by the Reagan tax cuts. As Representative Donald J. Pease (D., Ohio) put it (June 11, 1992): "Let us look at the big deficits we have and try to find out what caused them. . . . Fundamentally, our $4-trillion deficit or debt is caused by loss of revenue. The $4-trillion debt is caused by the 1981 tax cut and misguided supply-side economics." The facts give the lie to this charge.

The initial Reagan game plan, as detailed in the February 18, 1981, White Paper referred to by Paul Craig Roberts, projected a shift in federal budget outcomes from deficit to surplus occurring in fiscal year 1984. Although federal revenues as a percentage of gross national product were projected to fall from 21.1 per cent in 1981 to 19.3 per cent in 1984, the dollar amount of budget receipts was expected to increase from $600.2 billion in the former year to $772.1 billion in the latter. In the same period, federal outlays were to rise from $654.7 bil-

> "Tragically, during the 1980s, American families with children saw their incomes fall—by an average of $1,600. To top it off, their taxes went up while the taxes of the richest Americans were being cut—by an average of $42,000."
>
> —Lloyd Bentsen, *USA Today*, October 23, 1991

Mr. Ture, Undersecretary of the Treasury for Tax and Economic Affairs in 1981–82, is now President of the Institute for Research on the Economics of Taxation (IRET).

Growth in Federal Outlays

(Billions of Dollars)

Fiscal	Outlays			
	Real (1987 Dollars)		Current Dollars	
Year	Amount	% Increase	Amount	% Increase
1980	$ 832.1	6.4	$ 590.9	17.4
1981	867.7	4.3	678.2	14.8
1982	891.1	2.7	745.8	10.0
1983	921.1	3.4	808.4	8.4
1984	933.5	1.4	851.8	5.4
1985	1001.3	7.3	946.4	11.1
1986	1017.3	1.6	990.3	4.6
1987	1003.9	(1.3)	1003.9	1.4
1988	1027.1	2.3	1064.1	6.0
1989	1057.9	3.0	1144.2	7.5

Source: Budget of the United States Government, FY 1993, Supplement 1992, Table 1.3, Part 5-18.

lion to $771.6 billion, although falling in relation to GNP from 23.0 per cent to 19.3 per cent. In essence, this budget policy represented an effort to bring receipts and outlays in relation to GNP more nearly in line with the average postwar experience.

The 1981–82 recession that had been developing in the late 1970s and in 1980 undid the Reagan plan. The revenue projections in the White Paper assumed prompt enactment and implementation of the proposed individual rate reductions and changes in depreciation provisions that would have raised the level and rate of growth of GNP. Although these tax changes were expected to reduce tax revenues compared to the amounts that would have been obtained under prior law, revenues in 1981 were nevertheless expected, at the higher levels of income produced by the tax changes, to exceed those in 1980 and to continue to grow each year thereafter.

Federal Budget Outlays, Proposed and Actual

(Dollar Amounts in Billions)

Fiscal	Outlays	
Year	Proposed	Actual
1981	$655.2	$678.2
1982	695.3	745.8
1983	773.3	808.4
1984	862.5	851.8
1985	940.3	946.4
1986	973.7	990.3
1987	994.0	1003.9
1988	1024.3	1064.1
1989	1094.2	1144.2

Source: Budget Message of the President, Fiscal Years 1981–89; Budget of the United States, FY 1993, Part Five, Table 1.3, page 5-18. Proposed outlays for 1981 from the March 1981 FY 1982 Budget Revisions.

In fact, under the influence of the recession and the unexpectedly sharp deceleration of inflation, budget receipts fell far short of those projected in the White Paper. Receipts were virtually the same in fiscal 1983 as in fiscal 1981 and were about $110 billion below the White Paper estimate. From 19.6 per cent of GNP in 1981, receipts fell to 18.1 per cent of GNP in fiscal 1983.

With the recovery beginning in late 1982, budget receipts expanded rapidly, on the average by slightly over 8 per cent a year, through fiscal 1990. By that year, budget receipts were 18.9 per cent of GNP. Whether the several substantial tax increases from 1982 through 1989—particularly the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982, the Deficit Reduction Act (DEFRA) of 1984, and the Tax Reform Act of 1986 (TRA86)—contributed to rather than retarded this growth in revenue is, at the least, debatable. Unless one believes, however, that tax increases necessarily lose revenue (a not entirely implausible proposition), there is no basis in fact for insisting that tax-policy developments were responsible for the budget deficits of the Reagan years.

A major element in the initial Reagan budget policy was a slowdown in the growth of federal outlays and a change in their composition. The White Paper contemplated total budget outlays rising from $654.7 billion in fiscal 1981 to $771.6 billion in fiscal 1984, an annual rate of increase of 5.6 per cent. Defense outlays were to increase from 24.1 per cent of the total to 32.4 per cent, and the so-called "safety net" programs were to increase from 36.6 to 40.6 per cent, while all other programs and interest were to fall from 38.3 to 27.0 per cent.

This part of the budget plan, too, was not realized. Although the growth in federal outlays, in both nominal and real terms, slowed materially from fiscal 1980 through fiscal 1989, total outlays substantially exceeded those proposed in every Reagan budget. As a result, even had the revenues projected in the White Paper been realized, the budget would have failed to come into balance in 1984, when actual outlays of $851.8 billion were $80 billion more than had been contemplated.

Federal spending growth slowed more in Reagan's second term under the constraints imposed by the Gramm–Rudman–Hollings deficit-reduction targets. Contrary to the widespread assertion that it failed of its purpose, G-R-H was amazingly effective in slowing the growth of federal outlays. From fiscal 1985 through fiscal 1989, total outlays, measured in constant 1987 dollars, increased at an average annual rate of only 1.4 per cent, just over one-third the annual rate of increase in fiscal years 1981–85. Even measured in current dollars, G-R-H slowed the growth of spending, from an annual rate of 8.69 per cent in fiscal years 1981–85 to 4.86 per cent over the next four years.

Had federal outlays in the ensuing fiscal years increased no more rapidly than the 4.86 per cent average rate of 1985–89, federal outlays in fiscal 1992 would have totaled $1,319.2 billion, $156.2 billion less than the amount projected in the February 1992 budget document. Even with the recession-depressed revenues projected in the budget for the current fiscal year, the 1992 deficit would be $243.5 billion, not the $399.7 billion forecast.

Despite the success of G-R-H until its emasculation by the Omnibus Budget Reconciliation Act of 1990, total federal outlays grew too rapidly to achieve anything like fiscally prudent budget results. Political memories are short, but surely neither Dem-

Distribution of Aggregate Revenue Loss Relative to Prior Law

(Millions of Dollars; 1981 Income Levels)

Expanded income class	Prior law tax liability	1982 total reductions	1983 total reductions
Under $5,000	–157	–69	–109
$5,000–$10,000	6.381	–937	–1,479
$10,000–$15,000	16,317	–1,925	–3.287
$15,000–$20,000	22,987	–2,651	–4,675
$20,000–$30,000	58,558	–6,715	–12,349
$30,000–$50,000	85,708	–10,183	–18,923
$50,000–$100,000	51,631	–5,900	–11,002
$100,000–$200,000	24,125	–2,639	–4,437
Over $200,000	21,110	–3,588	–4,080
Total	286,659	–34,803	–60,341

Expanded income equals adjusted gross income plus excluded capital gains and various tax preference items, less investment interest to the extent of investment income.

ocrats nor Republicans have forgotten that the standard congressional response to the Reagan budget proposals was "DOA." The historical budget record documents the failure of Congress to curb its appetite for spending increases. With the single exception of fiscal 1984, actual outlays in each of the fiscal years 1981–89 exceeded the Reagan budget requests, by as much as $50 billion in fiscal 1989. Spending excesses, not excessive tax cuts, account for the sorry budget deficit record of the past decade.

Deliberate Deficits?

A RELATED myth is that these deficits were deliberate, part of the Reagan Administration's effort to reduce social spending. As Senator Daniel Patrick Moynihan (D., N.Y.) put it (June 25, 1992): "Mr. Stockman, in his book, *The Triumph of Politics: Why the Reagan Revolution Failed*, describes this policy, this conscious policy of creating deficits, which in the White House and in the Office of Management and Budget at the time there was a term for it, it was called starve the beast . . . the Federal Government was the beast. It had to be starved."

The view that President Reagan, indeed any President, could have engineered the deficits of the last several years boggles the mind. Conceivably, this could occur if federal budget receipts and outlays were determined solely by the President, and if these fiats of the President were impervious to economic developments. David Stockman, Pat Moynihan, and everyone else who subscribes to this notion know it is patent nonsense.

The initial Reagan fiscal agenda, as we have seen, called for spending slowdowns aimed at eliminating the budget deficit in fiscal 1984 and at producing budget surpluses thereafter. This agenda relied on the economic and budget projections for which David Stockman, as Director of OMB, was chiefly responsible. Stockman himself made determined efforts to come up with feasible proposals for slowing the growth of total outlays, while effecting the compositional shifts that were a basic part of the Reagan strategy. When he discovered the obstacles to achieving adequate cuts in increases in spending, Stockman sought to moderate the revenue losses in ERTA. And when the recession depressed tax revenues below the levels in his original projections, Stockman urged a shift to tax increases to moderate the deficits. It is astonishing that he would subsequently avow what would necessarily have been his own duplicity if the budget policies for which he was so largely responsible had, in fact, aimed at creating budget deficits.

As we have also seen, following ERTA, every tax bill proposed or supported by the Administration was a revenue raiser. It is impossible to reconcile this record of tax increases with the inane notion that the Reagan Administration's objective was to enlarge budget deficits.

The key to the deficits is the role of the Congress in budget making. Most of the budgets that President Reagan sent to Congress after 1981 were either rejected out of hand or very materially altered. Former OMB Director Jim Miller often recounts Reagan's asking him why he bothered to send a budget to Congress since the Budget Committee's standard reaction was to disregard it and to fashion its own.

Indeed, it may have been Congress's embarrassment over its role as the engineer of budget deficits that led most of its members to support G-R-H. And it is certainly reasonable to believe that deficit projections dampened congressional ardor for spending increases greater than those that actually occurred. But none of this places responsibility for the budget deficits on the Reagan Administration.

The Incentive Angle

ACCORDING TO the mythmakers, in addition to starving social spending, the Reagan policies were intended to favor the rich at the expense of the poor. As Governor Clinton's *Putting People First: A National Economic Strategy for America* (June 20, 1992) stated it: "For twelve years, the driving idea behind American economic policy has been cutting taxes on the richest individuals and corporations. . . ." The Governor has a fragile grasp of history, even that of the recent past.

For one thing, during the eight years of the Reagan Administration, only one tax bill, ERTA, reduced taxes for upper-income individuals and corporations. The central objective of the initial Reagan program, of which ERTA was a critically important part, was to reorient national economic policy. Instead of focusing on income redistribution and aggregate demand management of the economy, the Reagan policy aimed at reducing the Federal Government's intrusion into the nation's economic life. It sought to provide a policy climate in which individuals' incentives to pursue their own economic progress would not be frustrated by government tax, spending, regulatory, and monetary policies. ERTA's role in this economic strategy was to reduce the disincentives of high and steeply progressive individual tax rates and the biases they exerted against working, saving, and investing, and to provide more realistic and more nearly neutral tax treatment of investment in plant, machinery, and other depreciable property.

ERTA's core elements were a 25 per cent cut in individual marginal tax rates, phased in over three years, and the replacement of the archaic Useful Life depreciation system with the Accelerated Cost Recovery System. Another extremely important element in the Act was the indexing of the individual rate brackets, personal exemptions, and standard deductions. The indexing provisions sought to limit the bracket creep that, during the inflation-ridden 1970s, had escalated the real tax burdens of all taxpayers, but most severely hurt low- and middle-income individuals, for whom the tax brackets were very narrow.

ERTA reduced taxes for virtually all individual taxpayers, but the percentage reductions in tax liabilities for the lower- and middle-income taxpayers exceeded those for the rich. To be sure, the dollar amounts of the tax reductions for the well-to-do were greater; even Bill Clinton and his allies should have enough arithmetical savvy to recognize that a cut of one-tenth of one per cent in a $1,000,000 tax liability is ten times as many dollars as a 100 per cent cut in a $100 tax liability. If they troubled themselves to hunt up the data, they'd find that, according to the estimates of the staff of the Joint Committee on Taxation, the overwhelming bulk—more than two-thirds—of ERTA's individual tax cuts went to people with so-called "expanded" incomes of less than $50,000. Moreover, the percentage reductions in tax liabilities were greatest for people with expanded incomes of less than $10,000. People in the over-$200,000 class enjoyed tax reductions of 20.9 per cent, while the income taxes of those in the $5,000 to $10,000 range were reduced by 27.1 per cent.

Before President Reagan's signature on ERTA was dry, an effort to reverse the thrust of the Reagan tax policy got under way. The effort was undertaken both in Congress and in the Administration itself.

The Administration found itself in the late summer of 1981 looking at what it thought was the need for a drastic shift in fiscal strategy. The Democratic leadership in the Congress, smarting under its blistering defeat at President Reagan's hands in the enactment of ERTA, launched their own counterattack in the late summer of 1981. Its principal effort was to roll back the business-incentive provisions in ERTA, an effort that met with little resistance from the White House. The result was the grossly mislabeled Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). With this legislation, much of ERTA's tax savings and most of the positive incentive effects for business were eliminated.

The alleged centerpiece of the Reagan tax policy is the Tax Reform Act of 1986 (TRA86). The Act's attention grabbers were the dramatic revision in the individual-income-tax rate structure, eliminating all but two of the prior law's sixteen rate brackets, and the sharp cuts in the top rates of both the individual and corporate income taxes. Far more consequential and ex-

Decade of Neglect

Myth: Social spending was savaged under Reagan.

"[W]hile the numbers on welfare increased, the value of assistance fell by more than 30 per cent. During the same time, other federal spending in the cities also dropped. Subsidized housing fell 82 per cent. Job training, 63 per cent. And programs to develop new business, down 40 per cent."

—Rebecca Chase, ABC News

Did the Reagan Administration deeply cut social spending? Total federal payments for individuals—the broadest measure of transfer-payment spending—rose from $344.3 billion in 1981 to $412 billion in 1989 (1982 dollars), a 19.7 per cent increase. The conventional wisdom insists this rise conceals two divergent trends: an enormous increase in payments to the elderly (mainly Social Security and Medicare), offset by reductions in the "safety net" programs targeted to the poor.

A detailed analysis shows, however, that spending on programs that provide income, food, health care, housing, education and training, and social services to poor families increased substantially (in constant dollars) between 1981 and 1989.

An alternative way of measuring social spending is the percentage of GNP transferred by the Federal Government to poor people. In the Carter years (1977–80) means-tested programs averaged 1.65 per cent of GNP; during Reagan's two terms, this share averaged 1.73 per cent.

Whether measured in real dollars or as a percentage of GNP, the Reagan years can hardly be called a time of declining commitment to the poor. The most persuasive proof of this is the decline in poverty itself. When Reagan took office the poverty rate had been rising from 11.4 per cent in 1978 to 14.0 per cent in 1981. Within 18 months the trend was reversed. After climbing to a high of 15.1 per cent at the end of the recession, the rate declined steadily—to 13.0 per cent in 1988. And, according to the Ways and Means Committee's *Green Book*, when food and housing benefits are taken into account, the 1988 rate was only 11.6 per cent. —ED RUBENSTEIN

Social Program Spending

(Billions of 1989 Dollars)

	Income Support	Health	Housing	Nutrition	Social Services	Educational/ Training	Total
1981	$39.7	19.1	8.3	17.1	7.7	12.3	$104.1
1989	$42.1	31.1	13.6	17.0	7.7	11.6	$123.1
% Change	6	63	65	0	0	–6	18

Source: Congressional Research Service

tensive, however, were the Act's so-called base broadeners. In this respect, TRA86 was the most thoroughgoing revision of the income tax since its inception—the culmination of the traditional, liberal tax reformers' "loophole"-closing efforts.

Some of these changes broadened the tax base, while others contracted it. The increases in the personal exemption and standard deduction had the effect of taking an estimated four million or more low-income individuals off the income-tax rolls altogether and of materially reducing the tax liabilities of millions of low- and middle-income individuals. Virtually all of the other base changes, on the other hand, increased the taxes of millions of other middle-income as well as most higher-income taxpayers.

According to estimates of the staff of the Joint Committee on Taxation, TRA86 would reduce individual income-tax liabilities by close to $122 billion over the five-year period 1987–91. Over the same period, it would raise corporate income-tax liabilities by $120.3 billion.

Estimated percentage changes in tax liabilities ignored entirely the huge increases (about $227 billion for the years 1987–91) in higher-income individuals' tax liabilities resulting from the hundreds of billions of dollars of base broadeners—effectively accentuating the double taxation of saving.

Welcome as were the changes in the statutory rate structure of the individual income tax and the cutback in the top statutory rate to 28 per cent, TRA86's base broadeners were an enormous price to pay. TRA86 can be perceived as conferring tax favors on the rich only if these base broadeners are ignored.

Additional tax increases, falling entirely on businesses and upper-middle and higher-income individuals were enacted in 1987 and 1988.

The cumulative effects of the tax legislation during the Reagan years has been a substantial increase in the share of federal income-tax liabilities paid by the wealthy. In 1981, the wealthiest—the top 1 per cent—paid 17.6 per cent of total federal individual income taxes; in 1988, their share had increased to 27.5 per cent.

Even a cursory review of the fiscal history of the Reagan years reveals that, with the sole exception of ERTA, all the tax changes enacted during that period were unmistakably anti-business and anti-rich-individuals. If, contrary to fact, tax fairness were properly measured by the shares of total tax burdens borne by lower-, middle-, and higher-income individuals, one would have to say that the Reagan tax program was as fair as all get-out. □

The Tide Rose

Myth: The rich paid a larger share of taxes only because they had a larger share of income.

"Economic research shows that if a wealthy family paid more taxes than its middle-class counterpart during the Reagan–Bush years it was only because the rich had bigger paychecks . . . It was all part of the 'Reagan Revolution,' during which federal income taxes of the wealthiest were reduced from a top rate of 70 per cent to a top rate of 28 per cent."

—Boston Globe, *October 14, 1990*

Federal Reserve Board Governor Lawrence Lindsey, who served on the staff of Reagan's Council of Economic Advisors, lays waste to this notion in his 1990 book *The Growth Experiment.*

Lindsey, whose appointment to the Federal Reserve has been President Bush's greatest economic-policy achievement, notes the effect lower rates have not only on high-income taxpayers' willingness to work longer hours, but on "decisions about how to arrange their given financial condition, such as choosing taxable or tax-exempt bonds, or one stock over another, or more cash over fringes in salary negotiation, or how much to contribute to charity." In other words, how much income to shelter and how much to declare as taxable income, which is the data source for average-income comparisons.

"Consider the decision to buy a bond," Mr. Lindsey explains. "Suppose a taxable bond yields 10 per cent and a tax-exempt bond, issued by a state or municipal government, yields only 4 per cent. . . . For a taxpayer in the 70 per cent bracket, the taxable bond yields only 3 per cent after taxes. The tax-exempt bond is the better investment. On the other hand, if this taxpayer's tax rate is cut to 50 per cent, the after-tax yield on the taxable bond rises to 5 per cent, more than the tax-exempt bond. Thus one pecuniary effect of tax cuts is to cause investors to hold more taxable securities and fewer tax-exempt securities, producing more tax revenue."

James Gwartney, an economics professor at Florida State University, notes that "the lower rates drew funds out of the tax shelters and reduced the attractiveness of pleasurable, tax-deductible, business-related expenses (e.g., plush offices, travel to nice places, and luxury automobiles). As a result the reported income—after deductions—from partnerships and Sub-S Corporations (two major vehicles used for tax-shelter investments) of the top 5 per cent of taxpayers rose from $12 billion in 1980 to $56 billion in 1988, a whopping 360 per cent increase. Similarly, the reported income from business and professional practice of the top earners skyrocketed during the 1980s."

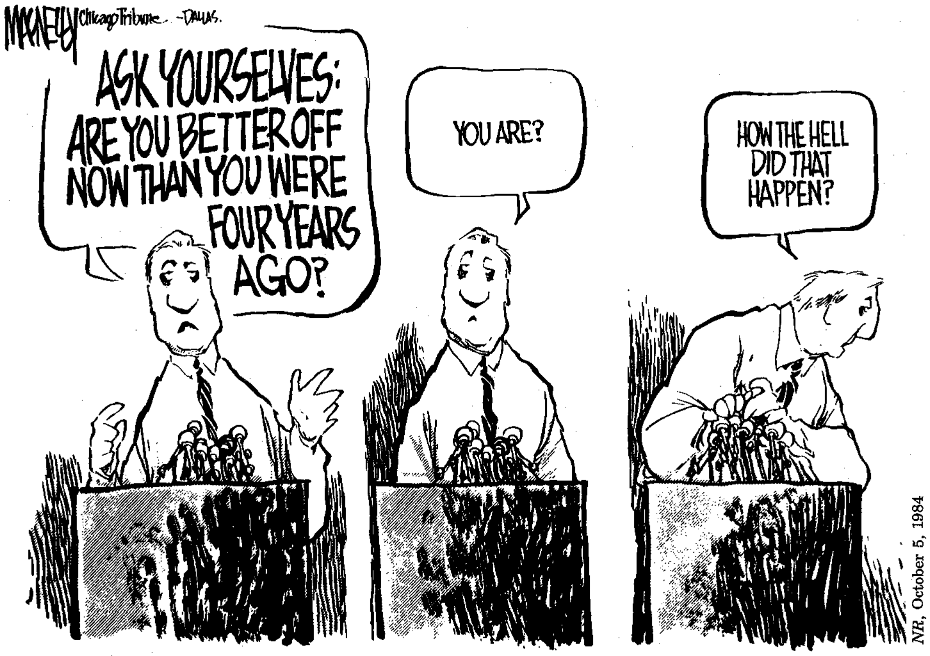
More important, the lower tax rates are conducive to entrepreneurial start-ups and greater work effort. Lindsey, again: "Indeed, the evidence suggests that high tax rates help ossify the class structure rather than break it down. In 1960, when the top rate was 91 per cent, the income of the rich was drawn disproportionately from interest and dividends. The top 2 per cent of taxpayers received 48 per cent of interest and dividends but only 8.7 per cent of wage, salary, and entrepreneurial income. *By 1985, with a 50 per cent top rate, the share of interest and dividends received by this group was cut in half while the share of wage and entrepreneurial income had risen 28 per cent.* The real losers from soak-the-rich taxation are not the presently rich, but the would-be rich. High income-tax rates bar access to the upper class."

—ED GILLESPIE
& CHRISTOPHER FRENZE

HIGH YIELD OR JUNK?

Glenn Yago

IN THE SEARCH for simple causes of the nation's economic problems, corporate debt became a familiar scapegoat. The received opinion is that U.S. business accumulated excessive debt loads during the Eighties largely through takeovers, which also caused massive job loss. In this legend, corporate financial practice (particularly the reliance on junk bonds) was a matter of paper shuffling that produced no economic value. Debt distorted economic horizons, leading to chronic "short-termism," and the high-yield-bond market was a "Ponzi scheme" that led to an inevitable market collapse, causing major disruptions in the financial-services industry (e.g., the S&L crisis).


MACNELLY Chicago Tribune
ASK YOURSELVES: ARE YOU BETTER OFF NOW THAN YOU WERE FOUR YEARS AGO?
YOU ARE?
HOW THE HELL DID THAT HAPPEN?

NR, October 5, 1984

This near demonic view of corporate debt and high-yield securities dates from the takeover battles of the mid 1980s. As Robert Bartley notes, "Much of the concern over leverage, finally, is connected to the takeover wars, to the battle between those trying to protect old capital and those trying to build new capital."

Basically, no one heard a peep about excessive debt or takeovers prior to the mid Eighties. In fact, the Business Roundtable and Fortune 500 companies that promoted new regulations on credit access and ownership change in the Eighties had opposed restrictions on takeovers during the Carter years when they were the only companies that were able to finance large-scale acquisitions. But by the mid Eighties, when merger-and-acquisition departments on Wall Street had discovered high-yield financing as a means to launch takeover bids, old-money firms and their white-shoe investment banks sought protection not by offering a better deal to their shareholders, but by going to courts, legislators, and regulatory bodies.

How many big oil companies wanted to see another Boone Pickens, and how many Revlons wanted to see another Ron Pearlman preaching the doctrine of market efficiency? Moreover, corporate control was not the only area where entrenched and protected managers were losing ground. Market share in major industries was being eroded by entrepreneurial newcomers who deftly leveraged growth through what was then the lowest cost of capital—debt. How many more Bill McGowans and MCIs could AT&T stand? How interested were CBS and ABC/Capital Cities in seeing Ted Turner or TCI or MTV coming into their markets? Whether the assault on corporate power appeared in the form of a takeover bid or in the form of a new, more technologically and financially adept competitor, the main cause of concern for those holding on to their seats in the corporate suites was the new channels of capital access that had been carved into the securities markets.

Demythologizing Junk Bonds

NOWHERE is the gap between empirical evidence and public perception greater than in the case of high-yield securities and the capital access created in the Eighties. To demythologize the changes that occurred, we need to examine each of the distorted propositions in turn.

Myth 1: Debt destroyed jobs.

> *"Thousands of workers lost their jobs, companies loaded up with debt to pay for deals, profits were sacrificed to pay interest costs on the borrowings, and even so, many companies were eventually forced into bankruptcy."*
>
> —*James Stewart,* Den of Thieves

When access to capital was opened up, the greatest period of job growth since World War II ensued. It is true that the largest firms eliminated jobs. However, while the 800 investment-grade firms decreased employment by 4 per cent, non-investment-grade firms increased employment by 24 per cent. Examining job loss in the Fortune 500 companies for the same period was around 2 million, while the overall economy added 12 million jobs. In my own research on high-yield companies, I found that job growth was six times higher among non-investment-grade companies than industry averages and that those companies exhibited one-third greater growth

Mr. Yago is Director of the Economic Research Bureau at the W. Averell Harriman School for Management and Policy at SUNY-Stony Brook.

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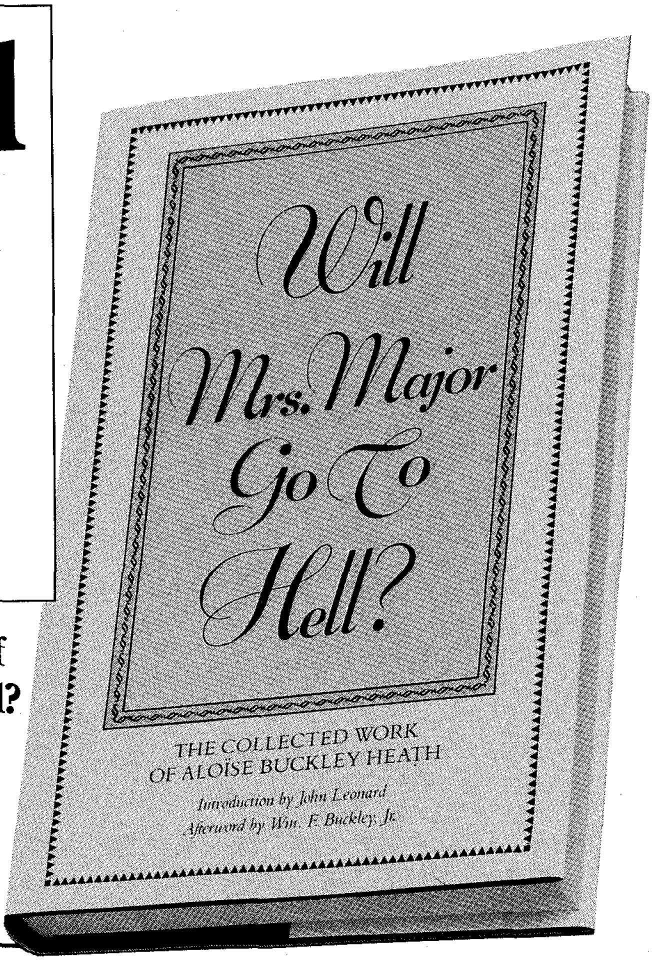
...but you can get the brand-new updated edition of Aloïse Buckley Heath's **Will Mrs. Major Go to Hell?** directly from *National Review* for just $16.95.


Will Mrs. Major Go To Hell?
THE COLLECTED WORK OF ALOÏSE BUCKLEY HEATH
Introduction by John Leonard
Afterword by Wm. F. Buckley, Jr.

Here is what the "Book-of-the-Month Club News" said about **Will Mrs. Major Go to Hell?** when it was first published:

> "It may be the warmest, funniest book about suburban family life since *Please Don't Eat the Daisies,* and it suggests that a true talent was lost when Mrs. Heath died at the untimely age of 48. She was one of ten children and had ten of her own, which helps explain why she was busy. The picture she gives of the way her family lived is both touching and hilarious, and she also casts a wry glance at the social scene in such pieces as one entitled 'Ladies Month in the Slicks,' wherein she notes, regarding the suggestion that harried housewives be given a paid-up charm course for Christmas. 'This gift had better be limited to harried housewives you know very well indeed.'"

The Perfect Gift!

...and we honestly can't remember when we've seen a more tender, poignant collection of stories. The late Aloïse Buckley Heath (William F. Buckley Jr.'s sister) wrote some absolutely priceless things about her own family, and the early days of *National Review,* plus some marvelously funny satirical observations on our contemporary habits and institutions.

There is something in this book to please every member of your family. You'll meet all the Heath children and encounter with them such American institutions as the New Math and the episode of the riotous carpool.

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in productivity, 50 per cent greater growth in sales and about three times greater growth in capital spending than U.S. industry generally.

Simply put, businesses have two ways to sustain or increase profits—increase revenues or decrease costs. Generally, in the Eighties, smaller entrepreneurial companies in growth and emergent industries (e.g., cable, health care, restructured manufacturing, telecommunications) used the former strategy, while the largest established companies used the latter. Instead of focusing on R&D, new products, and new markets, larger companies focused on cutting costs, mainly by cutting their workforce.

In the Sixties and Seventies, in order to avoid being confined to their mature markets, large companies had diversified wildly, leading to industrial conglomeration. Defense companies went into mass transit and nearly

Race and Poverty

Myth: Ronald Reagan's policies were particularly hard on blacks.

“After eight years of what many see as the Reagan Administration's benign neglect of the poor and studied indifference to civil rights, a lot of those who lived through this week in Overtown seemed to think the best thing about George Bush is that he is not Ronald Reagan.”

—ABC's Richard Threlkeld, reporting on how George Bush's inauguration was received in Miami's black section of Overtown.

*“[The War on Poverty], along with a healthy economy, brought the poverty rate down from 19 per cent in 1964 to 11 per cent in 1973 . . . Compare that enviable record with the Reagan–Bush years. Even though the economy recovered for seven straight years, poor people did not. Poverty rates did not drop back to pre-recession levels.”—*New York Times *editorial, “War Against the Poor,” May 6, 1992*

In fact, the total poverty population shrank by 3.8 million between 1983 and 1989, and the poverty rate (the fraction of people living in poverty) fell from 15.2 per cent to 12.8 per cent. Poverty rates had risen throughout the Carter years and continued rising until Ronald Reagan's economic policies took hold.

Between 1978 and 1982 the number of poor blacks rose by more than two million; between 1982 and 1989 the number of poor blacks fell by 400,000.

According to David Ridenour (*Human Events*, October 12, 1991), from the end of 1982 to 1989 black unemployment dropped 9 percentage points (from 20.4 per cent to 11.4 per cent), Hispanic unemployment dropped 7.3 percentage points (from 15.3 per cent to 8.0 per cent), while white unemployment dropped by only 4.0 percentage points.

Persons Living in Poverty

	White	Black	Hispanic	Poverty Rate (%)		
	(Millions)			White	Black	Hispanic
1978	16.26	7.63	2.61	8.7	30.6	21.6
1980	19.70	8.58	3.49	10.2	32.5	25.7
1982	23.52	9.70	4.30	12.0	35.6	29.9
1989	20.79	9.30	5.43	10.0	30.7	26.2
1990	22.33	9.84	6.01	10.7	31.9	28.1

Source: Census Bureau, *Poverty in the U.S.: 1990*, August 1991, pp. 16-17.

A black entrepreneurial class flourished. According to the Census Bureau, the number of black-owned businesses increased from 308,000 in 1982 to 424,000 in 1987, a 38 per cent rise. At the same time, the total number of firms in the U.S. rose by only 14 per cent. Receipts by black-owned firms more than doubled, from $9.6 billion to $19.8 billion.

Black Families with Children

	Married Couple Families		Single Parent Families	
	Number (Mils.)	Poverty Rate (%)	Number (Mils.)	Poverty Rate (%)
1980	2.154	15.5	2.311	54.1
1988	2.181	12.5	2.829	54.4
1990	2.104	14.3	2.965	53.5
Percentage Change, 1980–90				
	–2.3%	–1.2 pts.	+28.3%	–0.6 pts.

Source: Census Bureau, “Poverty in the United States: 1990,” August 1991. Table 4, p. 22. (Calculations by author.)

In some areas of the country the black–white income gap has vanished entirely. Census Bureau figures show that black families in Queens, New York, had a median income of $34,500 in 1990, virtually identical to the $34,600 reported for the borough's whites. The median income for all New York State families was $32,965 that year.

A recent *New York Times* article, “Blacks Reach a Milestone In Queens: Income Parity” (Sam Roberts, June 8, 1992), also reported that, from 1980 to 1990, the median income of black households grew 31 per cent above inflation, compared to 19 per cent growth for white households. The black–white income gap in Queens shrank from 9.5 per cent in 1980 to 0.2 per cent in 1990.

Unfortunately the very poorest of blacks—and whites too—missed out on the Eighties boom. Reaganomics is not the reason, however. Between 1980 and 1990 the number of black single-parent families grew by more than 650,000, while the number of intact black families fell.

By 1990 three out of every five black families were maintained by a single parent.

The poverty rate for black single-parent families was stuck above 50 per cent throughout the Eighties. The poverty rate for married-couple black families with children was only one-fourth as high, and declined during the decade. —Ed Rubenstein out of business, steel companies went into oil, tire companies went into gas, and oil companies bought circuses and insurance companies.

The restructuring of the Eighties for the most part unwound the bad acquisitions of the previous decades, leading to a deconcentration of industries and deconglomeration of unwieldy units in unrelated lines of business. The widespread association of layoffs, shutdowns, and unemployment with this restructuring is spurious. Only 4.4 per cent of mass layoffs in the Eighties, representing 6.6 per cent of the total jobs lost in shutdowns, resulted from ownership change. In tracking 1,100 plants involved in 110 LBOs, my colleagues and I found that plants involved in management buyouts were substantially less likely to close than other plants.

Moreover, high-yield and restructured companies in sectors that were hard hit by import pressures and declining demand showed higher rates of job retention than the rest of the firms in their industry. Manufacturing companies like Mattel, Seminole Kraft, and National Can actually restored jobs in plants previously threatened by closings. We found that productivity growth was about 14 per cent higher in plants that were either divested or restructured through buyouts than other plants in the same industry. In plants with significant management participation, the difference was even greater: 20 per cent.

This is not to say that there were not some poorly structured transactions that resulted in job loss. This was particularly true in those defensive LBOs where entrenched managers took on more debt to defend against takeovers (e.g., Fruehauf). Two-thirds of the distressed credits for the Eighties were issued in the last few years of the decade, when deal-hungry merger-and-acquisition departments overpriced issues in poorly structured, fee-driven transactions. Entrepreneurial buyouts that added strategic economic value became superseded in the LBO market by defensive, financially driven buyouts, in which failed management maintained its empire with an undercapitalized, overleveraged financial structure.

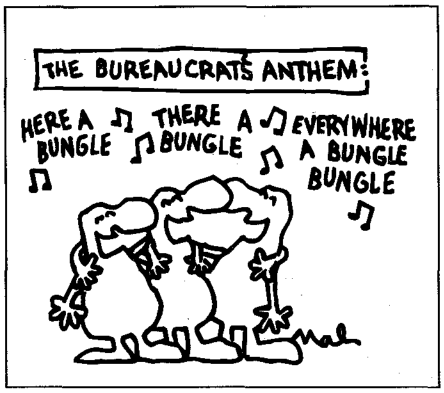
The lack of job growth in the Nineties is the consequence of too little credit available for new investment, not too much. Job creation halted abruptly at the end of the Eighties when regulatory and tax measures failed to keep growth alive.

Myth 2: Junk debt financed takeovers.

"There's nothing wrong with mergers per se, except for the junk-bond, highly leveraged, bust-up type. But if you eliminated that kind of deal, then an unfriendly takeover offer is less hostile."

—Martin Lipton, Wachtell Lipton

Takeover waves have gone on for decades. Earlier waves of mergers and acquisitions led to increased levels of economic and industrial concentration. At the turn of the century, horizontal acquisitions led to the formation of the great trusts. In the 1920s, vertical integration built large, monolithic corporations. In the late 1960s and early 1970s companies diversified into sprawling conglomerates. What was different about the merger wave that began in 1981 was the tendency toward deconcentration.



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According to the Securities and Exchange Commission, high-yield debt represented 10 per cent of tender-offer financings in the 1980s, while banks provided 73 per cent. In hostile takeovers, bank borrowing accounted for 78 per cent of the financing. Of the $215 billion raised in the high-yield market during the 1980s, 23 per cent was used to finance leveraged buyouts and repayment of LBO debt.

Most takeovers continued to be done by the largest companies, often without debt financing. The difference in the Eighties was that the largest firms now sometimes faced smaller competitors in these acquisition bids. However, LBO acquisitions never exceeded 25 per cent of the total value of merger-and-acquisition activity. Big companies made the majority of offers for other big and small companies.

Of the top 100 transactions of all time (hostile and friendly), only 14 per cent used high-yield financing; the rest were done by large domestic or foreign corporations with no debt financing. The first recorded hostile takeover was done in 1974 by International Nickel Co. of Canada under the financial advice of Morgan Stanley & Co. with no debt financing. By the early Eighties, law firms and investment banks saw new potential deal flow in takeovers.

Ironically, many of the most visible debt bashers came from these firms. Martin Lipton built a profitable practice in the takeover market by offering target firms the chance to pay his firm a pre-emptive retainer to ensure that his services would not be used by corporate raiders. Similarly, Felix Rohatyn (who referred to high-yield securities as "securities swill") and his firm, Lazard Frères, built an important practice defending against takeovers. By the end of the decade, Lazard was issuing junk bonds to fund a "White Squire" fund for the sole purpose of providing equity capital to managers facing potential takeovers.

Myth 3: Debt destroyed value.

". . . an army of business buccaneers began buying, selling, and trading companies the way most Americans buy, sell, and trade knick-knacks at a yard sale. They borrowed money to destroy, not to build. They constructed financial houses of cards, then vanished before they collapsed."

—Barlett and Steele, Philadelphia Inquirer, *October 20, 1991*

This myth has done a great deal to damage capital markets, companies, job creation, competitiveness, and communities in the Nineties. Based on misinformation about the past decade, regulators and financial institutions have redlined whole industries and communities, creating a credit crunch that caused and prolonged the recession and dampened the current cyclical recovery.

The origins of credit expansion in the Eighties go back to the last credit crunch of 1974, when companies learned that they could not take bank financing for granted. New industries in services, communications, health, and science needed money to grow. Older industries, such as automobiles, farm equipment, mining, and steel, needed huge sums to rebuild. Simultaneously, investors sought higher yields after disappointing results in the mid Seventies. Unlike traditional lenders (such as banks and savings-and-loans), money managers in insurance companies and mutual funds were able to make investment decisions without the restrictions that come with government subsidy or guarantee.

In the convergence of corporate need for long-term, fixed-rate capital and investor need for higher returns, the non-investment-grade debt market emerged. Of the $215 billion of high-yield debt issued in the 1980s, 77 per cent was used for growing or rebuilding firms. Some of the most innovative and creative industries of the last decade were financed in this market, including home building, low-cost pharmaceuticals, health care, cable television, long-distance services, and cellular communications.

The use of traditional accounting standards that focus only on book values, original costs, and historical performance fail to reflect an enterprise's potential. According to U.S. Federal Reserve data, the market value of nonfinancial U.S. companies as of January 1, 1970, exceeded their debt by more than $300 billion. During the next five years, values would decline, so that by 1974, debt actually exceeded equity by nearly $20 billion, even though corporations weren't necessarily borrowing more. The recovery of stocks, which began in 1975, stimulated equity values to rise $180 billion relative to debt over the balance of the Seventies. Still, by the end of the decade, equity exceeded debt by only $160 billion, well below the level of the previous decade.

The recovery of equity securities in the latter half of the 1970s laid the groundwork for a tripling of stock-market values in the 1980s, from $1 trillion to more than $3.2 trillion. This dramatic turnaround resulted in equity exceeding debt by over $1.2 trillion in nonfinancial companies, a near eightfold increase from $160 billion in 1979.

YOUR TAX DOLLAR AT WORK
SCHOCHET

NR, July 29, 1991

The perception of excessive debt comes from confounding historical book/cost accounting measures that are snapshots of the past with market values in a dynamically growing marketplace. Traditional and conventional methods measured cost, not value—yesterday, not tomorrow. During the Eighties, investors purchased over $6 billion in securities from companies in the fields of cable, cellular communications, entertainment, and health care. By the end of the decade, the combined equity market value of those firms was over $15 billion, even though they collectively had reported no net income. Such investments were based on the promise of the future.

Examples of value-creating business strategies abound also among firms that faced rebuilding. Northwest Industries was an investment-grade company that was purchased in 1985 through a leveraged buyout by Farley Industries and subsequently downgraded. In 1987, its Fruit of the Loom subsidiary was taken public in a $553-million stock and bond offering. Fruit of the Loom increased its debt, but the additional capital allowed it to expand capital spending, create new jobs, and increase sales by $2 million.

In 1988, Duracell was the battery division of Kraft Inc., a AAA-rated company. That year Duracell was sold to a group that included management and outside investors. Duracell found itself a leveraged, non-investment-grade company that no longer enjoyed ready access to inexpensive capital through Kraft. But Duracell's president realized that it wasn't debt that had inhibited the company's growth, it was being owned by a cheese company. Through innovation in new products and marketing, Duracell was able to increase annual pre-tax earnings nearly sixfold, from $39 million at the time of its buyout to $226 million by the end of 1990.

As Michael Milken once put it, "The true test of any financier is not to structure securities for companies in good times, but to help find solutions to problems for companies in tough times." In manufacturing and energy industries hit by the collapse of prices in the early Eighties, exchange offers allowed companies to swap high-coupon debt issues for lower-coupon debt issues or equity. Access to interest-rate and currency swaps, futures, and options also afforded new opportunities in debt management. Regrettably, tax-code and regulatory changes in the late Eighties began to restrict these financial innovations and reduced the capacity of companies to adapt to changing market conditions.

Myth 4: Innovative debt instruments were wampum; the market was a "Ponzi scheme."

"Evidence now suggests that Mr. Milken's theory was wrong—and that he was far from the genius he seemed to be about junk bonds. . . . When the past decade is taken as a whole, junk bonds appear to have been a mediocre investment." —Wall Street Journal, *November 20, 1990*

During most of the post–World War II period, inflation was low and interest rates were stable. Financial innovation was largely unnecessary.

With increased global competition and volatility of interest rates, currencies, and equity prices, companies required flexibility to change their corporate capital structure for varying conditions. Investors also needed flexibility in their portfolio management. While most people think of finance in binary categories—either debt or equity—the 1980s saw a broad spectrum of innovative securities. Examples included zero-coupon bonds used by

McCaw Cellular to build up its network, and convertible preferred bonds issued by Warner and Chrysler.

But the best known innovation is high-yield debt securities. According to the dominant media perception, the securities were the province of a small network of financiers, who "controlled" and "manipulated" the debt market. As early as 1968, there were over 6,700 bond issues listed on the New York and American Bond Exchanges, with the highest volume being traded in non-investment-grade issues. Over the past twenty years, high-yield securities were sold by more than 200 different investment-banking firms, which underwrote over 1,500 issues. There were 200 market-makers trading these bonds in the secondary marketplace. Over 100 law firms representing underwriters or issuers issued opinions on the validity of these transactions. All of the large accounting firms audited these transactions. Major mutual funds, pension funds, financial institutions, foreign investors, and individuals invested in these markets. From 1980 to 1990 the number of high-yield mutual funds grew from 26 to 83. In short, the debt market was hardly a shell game, but a complex market that matured over the 1980s.

How did investors fare during this period? For the ten years from 1981 to 1991, the high-yield market averaged returns of 14.1 per cent, outperforming ten-year Treasury bills (10.4 per cent) and the Dow Jones Industrial Average (12.9 per cent). Unlike a Ponzi scheme, the high-yield market rebounded last year to be the best-performing securities once again. In 1991, new issues rose to $9.9 billion, from $1.4 billion in 1990. Non-investment-grade companies raised $11.5 billion in the equity markets. Mutual funds that had fled the market returned with $3.65 billion of new investments, more than offsetting their total outflow for 1990. In short, between the time the alleged "Ponzi scheme" collapsed and the present, the high-yield debt market resurged by $80 billion in value.

Into the Nineties

THE FEAR and loathing aroused by debt in the 1980s is an anomaly in the long sweep of U.S. history. Despite Calvinistic abjurance of debt, the extension of credit, in a nation where economic growth was not held captive by inherited wealth or seigneurial rights, became the central means of access to productive assets, which, together with operating skills, talent, and hard work, have produced enormous wealth and income. With the cauterizing of new flows of capital, the economy's capacity to respond to change has atrophied. The companies and communities that created the most jobs during the past decade are now being redlined. Young companies eager for growth capital are strapped, and whole sections of the country are threatened by the capital cut-off that began as a credit crunch and now threatens greater financial disruptions. The total dollar volumes of commercial and industrial loans dropped sharply in 1991, after edging down in 1990. Decreased lending has restricted expansion plans and polarized recovery for many economic sectors. A shorthand way of understanding this is that big business and big government (with sometimes blind and self-destructive cheerleading by big labor) sought to limit and regulate economic competition, not sustain it.

Our future depends on our ability to learn from the past, not distort it. The Eighties were a period of enormously creative financial innovation. Perhaps by demystifying debt in the Eighties, we can learn to apply our new financial and economic tools to build the future instead of compulsively destroying the gains of the past. □

HEADS I WIN, TAILS YOU LOSE

William Niskanen

NO, VIRGINIA, Ronald Reagan did not cause the savings-and-loan crisis. The time bomb that became that crisis was designed in the 1930s, tested in the 1960s, and ignited in the 1970s. A July 1981 report to the Federal Home Loan Bank Board (the federal agency that regulated the S&Ls) concluded that the industry's net worth "was overstated by $152.3 billion, on a market-value versus book-value basis, at the end of 1980." Since the book value of the S&L industry at the end of 1980 was only $32 billion, this implies that its market value was *minus* $120 billion at that time—before Reagan took office, before the deregulation of deposit rates and the types of assets the S&Ls were allowed to own.

In most industries, of course, such losses would be borne by the investors in the affected firms. As a consequence of a series of unwise policy decisions that date back to the 1930s, however, most of the losses of the S&L industry ended up as liabilities of the Federal Government, i.e., the taxpayers.

After this time bomb exploded, some negligence at damage control by the Reagan Administration and overt obstruction by several members of Congress compounded the problem, but its general nature and magnitude was a consequence of policies that Reagan inherited. As of 1992, federal taxpayers will probably be liable for about $200 billion to close or reorganize the insolvent S&Ls, about the same (adjusted for inflation) as the negative net worth of the industry in 1980. More disturbingly, the basic policies that led to the S&L crisis (and a similar but smaller problem for the commercial banks) have not yet been changed.

How did this happen?

First, the structure of the savings-and-loan industry was designed in Washington, rather than by evolutionary market processes. A 1932 act created the Federal Home Loan Bank System, with a structure much like that of the Federal Reserve System, to

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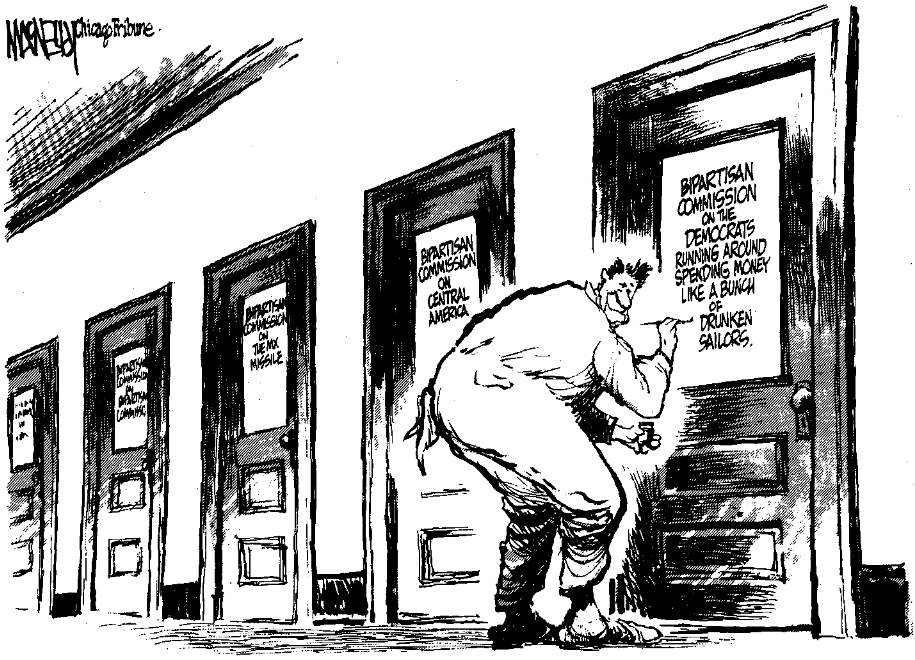
Mr. Niskanen, who served on the Council of Economic Advisors from 1981 to 1985, is currently the chairman of the Cato Institute.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NR, March 9, 1984

increase the funds available to reasonably solvent S&Ls to finance home mortgages. A 1933 act authorized the Federal Home Loan Bank Board to charter and regulate federal savings-and-loan associations; most of the loans by the member associations were initially restricted to mortgages secured by houses within fifty miles of the association's home office. These restrictions made the assets of S&Ls unusually vulnerable to conditions in the local real-estate market.

More important, the S&Ls faced unusual interest-rate risks. Most of their liabilities were savings accounts (and, later, demand deposits) with variable interest rates and subject to withdrawal on short notice. Most of their assets, however, were thirty-year mortgages at fixed rates. This made the solvency of S&Ls unusually vulnerable to an increase in short-term interest rates.

No financial intermediary with these types of restrictions could survive in a free market. For several decades, however, the S&Ls were sustained by three types of preferences. Solvent associations are allowed to borrow from the Federal Home Loan Banks and securitize their mortgages through the several government-sponsored mortgage associations, each of which has an implicit federal guarantee that reduces their borrowing costs.

S&Ls were exempt from federal income taxes until 1951 (although starting then, this tax preference was gradually reduced until it was nearly eliminated by the Tax Reform Act of 1986). And from 1966 to 1984, the S&Ls were allowed to pay a slightly higher interest rate, initially half a percentage point, than commercial banks on similar accounts. The combination of the post–World War II housing boom and these several preferences sustained a rapid growth of the S&L industry through the early 1970s, despite the unique asset and interest-rate risks to which these associations were subject.

> ". . . we are in the midst of the largest transfer of wealth in the nation's history . . . a transfer from the middle class to the rich and from the middle class to the poor.
>
> "Indeed, the growth of the middle class—one of the underpinnings of democracy in this country—has been reversed. By government action."
>
> —Barlett and Steele, *Philadelphia Inquirer*, October 20, 1991

Second, the unique vulnerabilities of the S&Ls would, even so, have been a problem only for their depositors and investors in the absence of another policy innovation of the 1930s. A 1934 act created the Federal Savings and Loan Insurance Corporation to insure the accounts at all federally chartered S&Ls and at those state chartered S&Ls that elected this insurance. The terms were the same as for commercial banks. The premiums were set at a low flat rate, regardless of the risks to the insurance fund from individual associations. Accounts were first insured up to $5,000, a limit that was increased in steps to $100,000 by 1980. Moreover, the typical procedure for closing an insolvent bank or S&L effectively extended this insurance to accounts of any size.

The objective of deposit insurance was to prevent the types of runs to which even solvent banks were subject in the early 1930s, and it has been effective in this regard. The problems of deposit insurance, however, were also recognized by scholars, bankers, and key public officials at that time. Both the American Bankers Association and Franklin Roosevelt, who did not agree on many issues, opposed deposit insurance for three reasons: First, it means there is no incentive for depositors to monitor the solvency of the banks and S&Ls in which their funds are deposited. Second, the flat-rate premiums provide no incentive to the owners to maintain solvency; in effect, these premiums represent a subsidy from solvent institutions to weak ones. Most important, deposit insurance creates a moral hazard for the owners of weak or insolvent banks and S&Ls, in effect setting up a one-sided bet. If they make unusually risky loans that do not later default, all the returns accrue to the owners; if these loans fail, the losses are borne by the insurance fund and, ultimately, the taxpayers. Heads I win, tails you lose. One should be surprised only that the insured depositories did not attract more crooks and frauds.

One consequence of these problems is perverse runs from solvent banks to insolvent banks, until the solvent banks increase their deposit rates to match those set by the insolvent banks. The most dramatic consequence, of course, is that the taxpayers have now been left with the bill for the insolvent S&Ls.

Ticking Away

ALL RIGHT, smart aleck, you may be asking, if these problems were so clear, why didn't this time bomb explode until the 1980s? The primary reason was that inflation and interest rates were low and stable until the late 1960s. In fact, this time bomb was severely tested (without exploding) by increases in short-term interest rates in 1966, 1969–70, and 1973–74. The first policy response to the interest-rate squeeze of 1966 was to establish controls on the deposit rates of the S&Ls, only compounding the longer-term problem. A 1968 act permitted the S&Ls to issue longer-term liabilities but allowed only minor diversification of their assets. These episodes of rising short-term interest rates reduced the earnings of the S&Ls but were too brief to induce many insolvencies or a major policy response. In the meantime, the controls on deposit rates contributed to a loss of deposits to the new (unregulated and uninsured) money-market mutual funds created by securities firms in the 1970s.

The spark that finally ignited this time bomb was the rapid increase in inflation and interest rates from 1978 through 1981. In this period, the typical S&L found itself with a portfolio of mortgages yielding 8 per cent, at a time when the inflation rate was 10 per cent and the smart money was going into money-market funds at 14 per cent. Most S&Ls were effectively insolvent, even if their books showed some positive net worth.

Moving Up

Myth: Reagan policies made it harder for the poor to advance.

"[R]ags to riches remains the economic exception, not the rule . . . If anything, economists say, the climb out of poverty has become harder in the last decade or two."
—Sylvia Nasar, "Rich and Poor Likely to Remain So," New York Times, *May 18, 1992*

"The President says that we should avoid class warfare. Well, as the income numbers show all too graphically, we had class warfare during the 1980s. And the wealthy won."
—Ted Kennedy, March 13, 1991

In fact, although the rich as a class have gotten richer relative to the poor, the mix of individuals that make up the "rich" and the "poor" is constantly changing. A banker's son getting a stipend from dad will appear "poor" in the statistics, as will a retired couple who own their own home, or a laid-off executive living off his savings until something turns up. Similarly, a middle-class businessman will find himself in the top 1 per cent the year he sells his business.

Incomes and Social Mobility
(1991 Dollars)

Average Family Income of 1977 Quintile Members in

1977 Quintile	1977	1986	% Change
Bottom 20%	$15,853	$27,998	77
Second 20%	31,349	43,041	37
Third 20%	43,297	51,796	20
Fourth 20%	57,486	63,314	10
Top 20%	92,531	97,140	5
All	48,101	56,658	18

Source: Urban Institute

Many individuals who were in the bottom half of the American population in 1980 saw their incomes rise to the top 20 per cent by 1990, while others—real-estate speculators and oilmen, for example—plummeted from the top group.

Two recent studies have measured economic mobility in the Reagan years. A Treasury study, done at the request of the Joint Economic Committee of Congress, traced the income reported by 14,351 taxpayers between 1979 and 1988. This sample was restricted to individuals who filed tax returns each of those years, thereby understating mobility since people are always dropping out of or coming into the system.

Nevertheless, Treasury found that 85.8 per cent of taxpayers who were in the bottom quintile in 1979 had climbed to a higher quintile by 1988. Only 14.2 per cent remained stuck at the bottom; 14.7 per cent rose to the top quintile. *In other words, a person in the bottom quintile in 1979 was more likely to be found in the top quintile than in the bottom quintile in 1988.*

Those at the top have no place to go but down. Accordingly, more than half—52.7 per cent—of the wealthiest 1 per cent in 1979 were gone by 1988. (Again, mobility is understated since deaths are not included.)

Not surprisingly, young workers percolate up at a faster clip than the elderly, most of whom do not work full-time. Census Bureau data show that 29.6 per cent of young adults (18–24 years of age) who were in the lowest quintile in 1987 moved to higher quintiles the following year. By contrast, those who drop to a lower quintile are likely to be older retirees. As Representative Dick Armey put it, "As the poor get older they get richer, while as the rich get older, they retire."

These lifetime trends are ignored by the CBO and the media. Isabel V. Sawhill and Mark Condon of the Urban Institute, however, recently tracked the incomes of individuals over a nine-year period (see chart).

Miss Sawhill and Mr. Condon explain the pattern: "People who start at the bottom have nowhere to move but up, and are likely to do so as they become older, gain work seniority, and earn higher incomes. People who start at the top, some of whom may be there because of temporary sources of income like capital gains, have nowhere to go but down. This pattern, however, may be surprising to the general public, which has been led to believe that the poor were literally getting poorer over the past decade or two, and that the incomes of the rich were skyrocketing. This is simply not true."

The static model used by CBO and the media to "prove" that the poor got poorer never allows that the bottom 20 per cent filled up with younger, inexperienced workers during the Eighties—many of them immigrants happy to be here, many of them American citizens who couldn't find work during the Carter stagflation. Nor does it allow that the larger amount of income going to the richest 20 per cent reflects a higher floor for entering that group rather than an increase in income for the individuals who were in that group at the beginning of the period.

—Ed Rubenstein

For the most part, the policy responses to this episode were correct. The S&Ls were authorized to issue variable-rate mortgages in 1979. A 1980 act phased out the deposit-rate controls and broadened the range of assets that an S&L could own; the one major mistake in this act, a last-minute decision of the conference committee, was to increase the limit on insured deposits from $40,000 to $100,000. A 1982 law further broadened the asset powers and enforced the due-on-sale clauses in existing mortgages. This deregulation of deposit rates and asset powers was necessary to avoid a precipitous collapse of most of the S&L industry.

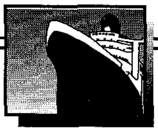
As it turned out, however, such measures only delayed the day of reckoning. The S&Ls then faced a series of asset shocks, the most important of which were due to the 1981–82 recession, the collapse of oil prices in 1986, and the general weakness in real estate markets following the Tax Reform Act of 1986. Some of the insolvencies were due to irresponsible loans of the types recently authorized; most were not. In fact, two of the newly authorized assets, credit cards and high-yield "junk" bonds, had the highest net yield in the S&L portfolios. Deregulation gave the S&Ls greater opportunity for both irresponsible and prudent behavior. The incentive for irresponsible behavior, however, was (and remains) attributable to the combination of deposit insurance and inadequate private capitalization of the depository institutions.

As part of the general assault on the Reagan years, a *Washington Post* editorial (April 28, 1992) concluded that "Deregulation, combined with the egregious failure to enforce the remaining rules, led to the gigantic costs of cleaning up the failed S&Ls." Some people never learn! The failure of the S&Ls was primarily due to the combination of the excessive regulation and the increase in inflation prior to 1981. The cost of this failure to the taxpayers is entirely attributable to the flawed system of federal deposit insurance. The policy of general reluctance to close the failed S&Ls in the 1982 act was wise, based on a correct expectation that the interest-rate problem would soon be resolved. The later forbearance toward specific S&Ls, usually in Texas and California, was primarily due to strong pressure from leading members of Congress, such as House Speaker Jim Wright and the Keating Five. Management of the savings-and-loan crisis by the Reagan Administration was faltering but not egregious, given the overwhelming burdens on regulators working for an agency that reported to Congress and was unusually responsive to industry concerns.

> "The Reagan legacy amounts to nothing less than the economic polarization of America. The rich got richer. The poor got poorer. And the hard-working middle class became more insecure than at any time since before World War II."
>
> —Bennett Harrison, professor of economics, Carnegie–Mellon University, in the *Los Angeles Times*, September 2, 1992

The appropriate charge against the Reagan Administration and Congress was that they failed to change the major policies that led to the S&L crisis. *Unfortunately, these still have not been changed.* A 1989 act authorized funds to close many of the insolvent S&Ls and reassigned the regulators to the Treasury but did not change the deposit-insurance system. Capital standards were increased but the asset powers of the S&Ls were reduced. This act reflects a misperception that some of the effects of deregulation, such as brokered deposits and investment in "junk" bonds, were the primary causes of the S&L crisis. The premise of this act is that conscientious regulators can identify and close weak S&Ls before they become insolvent. Maybe so, but I doubt it. This patchwork of policies may be sufficient in the absence of another surge of inflation. In the meantime, however, the Bush Administration has persistently (and recently) pressured the Federal Reserve for a more expansive monetary policy.

Stay tuned for another episode in the continuing saga of your friendly neighborhood S&L. ☐



INVENTING HOMELESSNESS

Carl F. Horowitz

"MR. REAGAN and Congress's housing cutbacks are directly responsible for the homeless problem," announced the late grand provocateur Mitch Snyder on the eve of the October 1989 Housing Now! march. Representative Charles Schumer (D., N.Y.) was also getting in his licks: "The Reagan Administration systematically decimated the nation's [low-income] housing supply." Homelessness, as much as AIDS, became during the Eighties an issue fully engaging Left-collectivism's passions for attaching guilt to the accumulation of wealth, rejecting empiricism, and projecting political explanations onto personal problems.

Homelessness was destined to become a national problem during the 1983–89 economic boom, precisely because it was a political, rather than an economic, phenomenon. By anointing derelicts as "homeless," overstating their presence, and attributing their status to the false consciousness of people in a rat race for success, activists found an effective strategy to encourage Americans to disavow the values that lead to prosperity (including good housing). Consider this comment by homeless activist Jeff Dietrich, in a guest editorial in the November 26, 1988, *Los Angeles Times*.

> We in the Catholic Worker Community believe that the problem of homelessness in America goes to the heart of our problems as a culture. And we believe that our country's culture is rotten because our system is rotten. . . . The driving force of our culture today seems to be the elimination of all those who do not have a degree in computer science, sell Tupperware, or teach aerobics.

Oh, that fiendish Tupperware!

Mr. Horowitz is the Heritage Foundation's housing and urban affairs policy analyst.

With a few stray exceptions like Richard White, author of the recent *Rude Awakenings* (ICS Press), almost no one understands how homelessness became a super-issue, and why the major media still present as "news" the fabrications of homeless activists. The case rests on two statistical falsehoods—one concerning the number of homeless people; the other, the availability of affordable rental housing.

Maestro of Homelessness

"THE FIRST thing a man will do for his ideals is lie," Joseph Schumpeter once wrote.

It is 1982, and Mitch Snyder is about to "go national." Snyder had been known since the mid Seventies in the Washington, D.C., area as something of a zany. He and fellow members of the Community for Creative Non-Violence (CCNV), originally an anti-war group, having discovered the issue of homelessness, instigated hunger strikes, squatting, vandalism, and other happenings for the local homeless.

In 1980, Mr. Snyder, along with a colleague, Mary Ellen Hombs, conducted an informal nationwide survey of homeless-shelter operators. In 1982 they summarized the results in a monograph, *Homelessness in America: A Forced March to Nowhere*. According to the authors, 1 per cent, or some 2.2 million, of all Americans lacked shelter. They added: "We are convinced the number of homeless people in the United States could reach 3 million or more during 1983." Mr. Snyder and Miss Hombs failed to explain how they arrived at such estimates. The General Accounting Office in 1988 reviewed 83 studies on homelessness, finding only 27 to be useful. *Homelessness in America* was not among them.

The major media, on the other hand, saw the CCNV survey as a springboard for a crusade against President Reagan. In short order, "3 million homeless" became enshrined in newspaper headlines and television feature stories. (Old habits are hard to break. On the March 26, 1991, *CBS Evening News*, Harold Dow reported: "In New York there are an estimated 70,000 homeless people, three million across America. A problem that got a lot worse during the boom times of the Eighties.")

The Department of Housing and Urban Development (HUD), for months on the hot spot, conducted a study of its own. Thorough and profes-

Homeless in America

IN THE *Wall Street Journal* of May 19, 1989, reporter Andy Zipser claimed that "pretty much everyone agrees . . . that by any standard homelessness has multiplied enormously in a period of general affluence . . . and that if finger-pointing is called for, the fingers should point to Washington . . . As need has escalated in recent years, total spending has plummeted."

Total spending did not plummet, as Carl Horowitz demonstrates above. Like the other mythmakers, Mr. Zisper has taken budget-authority numbers and used them as spending—or budget-outlay—numbers.

If the Congress appropriates funds for an aircraft carrier, it doesn't fund just next year's expenditures—it bites the whole bullet. Actual spending may occur over five years or more. It funds the construction of subsidized housing the same way—up front. In 1982, there was $240 billion for housing in budget authority appropriated in earlier years that hadn't yet been spent.

The budget *authority* for subsidized housing did decrease in the Reagan years, from $27.9 million in 1980 and $26.9 billion in 1981 to an average of $10 to $11 billion in the years 1982–88. Thus there were annual opportunities for claiming that the budget had been cut. In a masterpiece of confusion, *Time* magazine claimed (May 21, 1990) that "Since 1980 federal outlays for rent subsidies and home-building for the poor and elderly have dropped from $41 million to $10 million," thus mixing up not only authority and outlays, but millions and billions as well.

In spite of reductions in budget authority for housing subsidies, annual *outlays* kept on increasing; construction funded in earlier years was built; the number of households and people subsidized increased.

Expenditures for low-income assisted housing doubled between 1980 and 1984; it took until 1990 for 1980 GNP to double. Federal outlays for low-income housing thus increased as a percentage of the GNP. With the dollar increases came increases in the number of beneficiaries—from 10.6 million people in 1980 to 14 million in 1990, an increase of almost one-third while the population increased by only one-tenth. The number of households assisted also increased, from 3.1 million in 1980 to 4.4 million in 1990. Additional beneficiaries were served by the Farmers Home Administration.

In sum, federal spending increases for housing during the Reagan Administration rivaled those for national defense; the percentage of the population receiving benefits increased; a record percentage of the population was employed; and yet the problem of homelessness began to appear—supposedly because of the Reagan "budget cuts."

If budget cuts caused homelessness, the solution would be obvious and simple—increase the budget. Just the opposite is the problem: homelessness occurred as a social phenomenon at a time when increasing cash outlays were subsidizing housing for an increasingly great percentage of the population.

Some writers have sought explanations in rent control and over-regulation as contributors to a decreased availability of low-cost rental housing, and indeed the consumer price index for rental housing increased somewhat faster than the overall CPI; on the other hand vacancy rates generally increased in the 1980s, and other costs—such as transportation and food—increased at a lower rate than the overall CPI. More significant may be the constitutional challenges to vagrancy and loitering laws; by the 1980s, it had simply become legal to live and sleep on the streets.

—ANNELISE ANDERSON

Mrs. Anderson is a Senior Research Fellow at the Hoover Institution and a former Associate Director of the Office of Management and Budget.

sional, *A Report to the Secretary on the Homeless and Emergency Shelters* (1984) concluded that the number of homeless probably ranged from 250,000 to 350,000, and that emergency shelters, far from bursting at the seams, were only about two-thirds full.

The Left, understanding the political cost if HUD's analysis were widely accepted, reacted with swift outrage. Mitch Snyder coaxed Congress to inquire into the "undercount." Though Mr. Snyder admitted in testimony that his own estimate was meaningless (in 1989 Miss Hombs told me the same thing), House Joint Committee Chairman Henry Gonzalez (D., Tex.)

The Fading American Dream?

Myth: Home ownership became increasingly beyond the reach of ordinary American families during the Reagan years.

"Middle-class families can't buy a house because they're too busy paying for people to have mansions in Chevy Chase, second houses in Malibu, and empty office buildings everywhere."
—C. Austin Fitts, former federal housing commissioner (1989-90), quoted in The National Journal, *June 22, 1991*

In fact, lower inflation and interest rates during the Reagan years greatly increased housing affordability. The Housing Affordability Index indicates the degree to which median-income households can afford a median priced home. When the index equals 100.0, the median family income equals exactly the amount needed to qualify for purchase of a median-priced home, using conventional financing and making a 20 per cent down payment.

Housing affordability plummeted during the Seventies. Soaring home prices and mortgage rates, along with stagnant real incomes, pushed the affordability index down to 120.6 in 1977 from 154.8 in 1972. By 1981 the index had dropped below 100.0, indicating that the median U.S. family could no longer afford the median-priced house.

The turnaround started in 1981. By 1988 the index was above 120.0, and today, by this measure, housing is more affordable to the typical family than at any time since 1976.

In addition, U.S. homebuyers are demanding, and getting, bigger and better houses than their parents ever dreamed of. A Congressional Research Service study showed that the average size of new homes rose 15.2 per cent between 1970 and 1980, and another 13.5 per cent between 1980 and 1988.

Housing Affordability Index

	Median Home Price	Median Income	Mortgage Rate	Annual P&I Payment as % of Income	Affordability Index
1970	$ 23,000	$ 9,867	8.35%	17.0%	147.3
1971	24,800	10,285	7.67	16.5	151.9
1972	26,700	11,116	7.52	16.2	154.8
1977	42,900	16,010	9.02	20.7	120.6
1981	66,400	22,388	15.12	36.3	68.9
1988	89,300	32,191	9.31	22.0	122.0
1992 (Feb.)	103,800	36,788	8.43	20.1	138.3

Source: National Association of Realtors; all prices given in nominal dollars.

Housing Prices and Sizes

(1989 Dollars)

	Median House Price		Average New House	
	Existing	New	Sq. Ft.	$/Sq. Ft.
1970	$73,600	$74,800	1,385	$44.62
1980	93,700	97,100	1,595	47.06
1988	93,700	112,500	1,810	48.62
	Percentage Change			
1970–80	27.3%	29.8%	15.2%	5.5%
1980–88	0.0	15.9	13.5	3.3

Source: Congressional Research Service, as cited by Warren Brookes

The CRS study shows that the 16 per cent rise in new house prices between 1980 and 1988 was accompanied by a 13.5 per cent rise in house size. As a result, housing prices rose a mere 3.3 per cent per square foot. Even this rise is largely accounted for by amenities such as air-conditioning and multiple bathrooms, which became far more prevalent over this period.

The CRS study goes on to point out that prices of *existing* homes were flat, after adjusting for inflation, during the Eighties. This, combined with higher median family income and lower interest rates, means that housing was markedly more affordable at the end of the decade than at the beginning.

Warren Brookes, in an article on the CRS study (January 17, 1990), quoted its author, analyst Richard Bourdon: "The rapid rise in home prices has made some think that the current generation of young people may have to settle for less housing than their parents. However, a significant explanation for rising house prices is that homes are getting bigger and better. Media reports often inappropriately refer to the high prices of these bigger and better homes in their stories about how hard it is to buy a first home."

—Ed Rubenstein

was moved to compare HUD's estimate with denials of the Nazi Holocaust.

Recklessly inflating the number of homeless on a local basis is also good sport. This spring, former President Jimmy Carter observed that when he left office, the homeless in Atlanta numbered 1,200, but they now number 15,000. Carter did not cite his source of information.

Finally, the homeless can be redefined to include people "at risk" of losing their housing. In 1989, for example, David Schwartz and John Glascock, of the American Affordable Housing Institute at Rutgers University, authored a frequently cited study, *Combatting Homelessness*, which concluded that 4 million to 14 million American families are "living on the knife edge of homelessness." That's a lot like saying that millions of American married couples are "living on the knife edge of divorce."

Second String

THE SECOND element in the statistical charade was that there was a Reagan-inspired cut in federal rent subsidies by some 70 to 85 per cent, and that it forced people out of their dwellings. Richard Celeste, then Democratic governor of Ohio, speaking at the "Housing Now!" rally, denounced "the $24 billion that was denied to the poor and the powerless who depended on HUD for housing." Sociologist Richard Applebaum, of the University of California at Santa Barbara, referred to a "cut" in the federal housing budget from $32 billion to $6 billion and raised the possibility of housing riots at some time in the future.

Let the record show: The reduction in the HUD budget during fiscal years 1981–83 was from $34.2 billion to $16.6 billion (a little more than 50 per cent). More importantly, it was a cut in *authorizations*, not outlays. As Annelise Anderson explains (p. 49), an authorization merely sets a spending limit, much as a Visa or a MasterCard account establishes a personal credit line. Money authorized reveals nothing about money spent. A federal agency conceivably can receive a zero-dollar authorization for a given year, and still raise its outlays by drawing upon unspent authorizations from prior years.

The table on this page reveals that HUD outlays went up during the Reagan years (fiscal 1981–89) by roughly one-third and are increasing even more rapidly under President Bush. Also going up substantially since the early 1980s has been the number of low-income households on the housing dole.

The anomaly of rising outlays and falling authorizations is attributable mainly to Congress's cancellation of programs committing HUD to subsidizing rents over several decades in new apartment projects, and its shift of funds toward the rent-certificate and voucher programs, which subsidize tenants of existing housing. Ironically, because of the backlog of construction projects approved during the Carter years, a great many federally subsidized apartments opened their doors under President Reagan anyway. Indeed, as William Tucker reported in these pages (September 25, 1987), almost three times as many apartments were completed under the public-housing program during 1981–84 as during 1977–80.

The Amazing Expanding HUD Budget

Year	HUD Outlays (Millions)	Low-Income Households Receiving Housing Subsidies
1980	$12,735	3,107,070
1981	14,880	3,297,451
1982	15,232	3,507,896
1983	15,814	3,663,328
1984	16,663	3,859,676
1985	28,720	3,943,238
1986	14,139	4,076,783
1987	15,484	4,151,252
1988	18,938	4,227,330
1989	19,680	4,315,317
1990	20,167	4,386,365
1991	22,751	4,432,077*
1992	24,159*	4,577,616*
1993	28,141*	4,703,625*

*Estimate.

Sources: Executive Office of the President, Office of Management and Budget, *Budget of the United States Government: Fiscal Year 1993*, Supplement, Part Five, Historical Tables, February 1992, pp. 60–62; U.S. Department of Housing and Urban Development, *Expanding the Opportunities for Empowerment: New Choices for Residents*, FY 1993 Budget, January 29, 1992.

Note: The unusually high outlay figures for 1985 resulted from HUD's buying back of loans from public housing authorities; the loans eventually were forgiven.

Federal subsidies aside, the total year-round housing stock grew from 89.6 million dwellings in 1981 to 102.8 million in 1989 (14.7 per cent), according to the U.S. Census Bureau's *Housing Survey*. There was especially room at the inn for renters, presumably the population most at risk of becoming homeless. In 1981 the rental vacancy rate stood at 5.0 per cent; by 1989 the rate was 7.1 per cent, according to the Bureau's H-111 Series.

Homelessness Visible

SO THE two statistical linchpins of the Reagan-did-it hypothesis stand as frauds. The statistical phase of the homelessness debate, by any reasonable expectation, ought to be over, and Mr. Reagan ought to stand exonerated. Yet the Left will not yield. They know the political value of making the homeless visible to as many random observers as possible.

Homelessness, Eighties-style, has its genesis in 1972, when the U.S. Supreme Court handed down its decision in *Papachristou* v. *City of Jacksonville*, overturning the convictions of several persons on vagrancy charges in Jacksonville, Florida. Writing for the majority, Justice William O. Douglas rationalized: "Persons 'wandering or strolling' from place to place have been extolled by Walt Whitman and Vachel Lindsay."

This radical redefinition of rights gradually acquired a deadly political force. Local governments found it difficult to evict vagrants from parks, sidewalks, bus terminals, and other public amenities. Indeed, fearing the bad publicity that now greeted attempts to evict, they allowed the problem to get worse, despite growing complaints from commuters and residents.

New Age liberalism, fulfilling its own prophecy, in turn described the highly visible street people as the castaways of Reaganism gone mad, people whom Snyder & Hombs called "surplus souls in a system firmly rooted in competition and self-interest."

Whether in San Francisco's Civic Center Plaza or in New York City's Tompkins Square Park (both of which experienced rioting during eviction attempts), whether on sidewalks or in subway stations, derelicts had become political love objects, all the better to be seen, so as to shame passers-by whose apathy had supposedly allowed the situation to happen. (A. M. Rosenthal likened tolerating homelessness to being a silent witness to the Kitty Genovese murder.)

Here one comes to the heart of the matter. Homeless activists' boilerplate was made possible by the integration of collective guilt into our political culture. By assigning blame for homelessness to nearly all housed, employed Americans, and by shoving the homeless into their full view, political activists transformed the homeless into "victims" of the pursuit of self-interest (i.e., Reaganism). Until collective guilt as an operational doctrine is defeated, "Reagan did it" will continue to serve as an explanation for homelessness regardless of the evidence that, in or out of the White House, Mr. Reagan is blameless. □

HEAD FOR THE BUNKERS—
THE HOSTILE TAKEOVER
IS ABOUT TO BEGIN!
EXUDE CORP.
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DECADE OF GREED?

Richard B. McKenzie

WORRYING that the 1990s would be the decade in which the bills of the 1980s would come due, a *Time* magazine reporter declared, "The past decade brought growth, avarice, and an anything-goes attitude," and then glibly summarized the 1980s with five words: "Get rich, borrow, spend, enjoy." A month later another *Time* reporter picked up on the same theme of a decade of decadence when reviewing five recently released books: "Doesn't anyone have a kind word for Wall Street's gilded '80s? The new decade is barely six weeks old and already stores are piled high with books that portray the past ten years as a sink of avarice and excess. The melodramatic titles depict the American free-enterprise system as overrun by barbarians and liars, ambition and greed."

Dubbed the "Decade of Greed," the 1980s were seen by many as one long consumption binge, fostered by the Reagan Administration and characterized by what political pundit Kevin Phillips called "conspicuous opulence." The evidence offered in support of this contention includes casual references to the jump in the sales of luxury automobiles, the number of MBAs (most of whom, presumably, set their sights on making money on Wall Street), the number of get-rich and self-help books, and the number of Wall Street brokers who went to prison.

John Kenneth Galbraith, of course, won't let the decade die. It lives on, he says. How? In the recession. In a recent article titled "The Economic Hangover from a Binge of Greed," the venerable professor says it's time to cut through the excuses: "The present recession is not an autonomous, self-correcting economic drama. It is the wholly predictable response to the speculative extravagances and insanities—and specific government policies—of the 1980s." The country's continuing problems could be blamed on a simple five-letter word: Greed.

That's the widely believed bad news. The good news is that the bad news never amounted to anything more than bad reporting.

More Blessed to Give

WHILE many critics suggest Americans were more selfish and less charitable during the last decade, none have actually looked at the most direct means of assessing greed—the pattern of charitable giving. If they had, they would have quickly discovered that they had told only half the story, leaving out the most positive and striking parts. Measured by giving, the 1980s were not the "Decade of Greed" at all. On the contrary, charitable giving by individuals *and* corporations jumped dramatically. This finding holds for giving measured not just in absolute terms, but also in total real dollars contributed, real charitable contributions per capita, and charitable contributions relative to national income.

Indeed, giving in the 1980s was above the level that would have been predicted from the upward trend established in the 25 years prior to 1980. This conclusion holds even after adjusting for several economic and policy changes that might reasonably be expected to have boosted charitable contributions. In view of total, aggregate giving from 1955 to 1989, the 1980s in America were actually a decade of unusual generosity.

Total giving is composed of gifts from individuals (including bequests), corporations, and foundations. The first graph on p. 53 shows the pattern of giving from 1955 through 1989. In the 25-year period prior to the "Decade of Greed," total charitable giving, in real terms, more than doubled, increasing from $34.5 billion in 1955 to $77.5 billion in 1980—or at a compounded annual growth rate of 3.3 per cent. Between 1980 and 1989, total giving in real dollars expanded by 56 per cent to $121 billion, or by a compound growth rate of 5.1 per cent. *The annual rate of growth in total giving in the 1980s was nearly 55 per cent higher than in the previous 25 years.*

Mr. McKenzie is Walter B. Gerken Professor of Enterprise and Society in the Graduate School of Management at the University of California, Irvine. This article is a condensed version of Was the Decade of the 1980s a "Decade of Greed"? *(St. Louis: Center for the Study of American Business).*

Because giving by living individuals accounts for more than 80 per cent of all giving, it is not surprising that this category also more than doubled, from $30.2 billion to $64.7 billion between 1955 and 1980 (a compounded growth rate of 3.1 per cent a year). Individual giving reached $102 billion in 1989, *after expanding at a compounded rate* of 5.2 per cent since 1980.

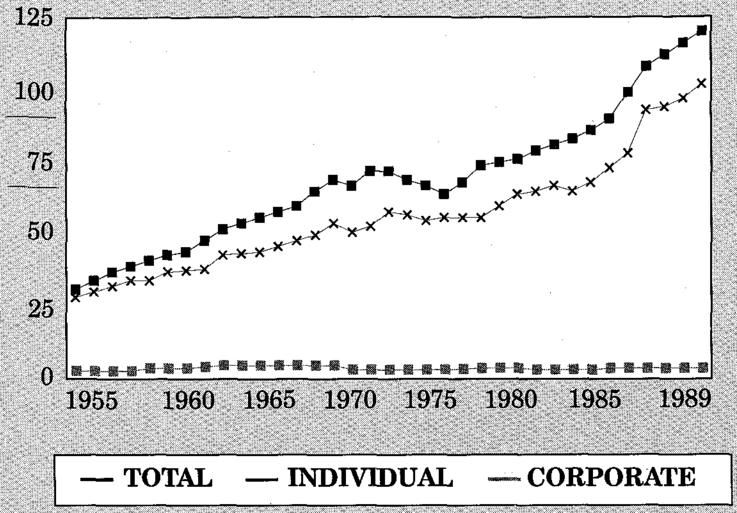
Moreover, the growth in private giving over the decade (58 per cent) approximated or exceeded the growth of expenditures on a variety of goods and services that might be considered extravagances—for example, new automobiles (60 per cent), jewelry and watches (41 per cent), alcoholic beverages (1 per cent), meals eaten outside the home (22 per cent), tobacco products (–12 per cent), and personal services such as health clubs and beauty salons (38 per cent). The increase in total giving by individuals even exceeded the increase in total consumer credit outstanding.

Corporate-giving levels are much more erratic, in large part because of fluctuations in the business cycle. Before-tax corporate profits represented nearly 15 per cent of national income in 1955 and only a little more than 7 per cent in 1989. After-tax corporate profits represented 8 per cent of national income in 1955, falling to half of that share in 1989. Nevertheless, corporate giving in real terms rose during the period from just under $1.9 billion in 1955 to nearly $5.3 billion in 1989, increasing in the 1980s at a compound rate of 4.1 per cent. *The growth rate in corporate giving was 52 per cent higher in the 1980s than in the earlier decades covered by this study.* In spite of a drop-off in corporate giving after 1986 (due in large part to changes in corporate tax laws), charitable contributions by corporations as a percentage of profits before and after taxes remained higher in the late 1980s than in the decades preceding.

When measured per capita, individual giving and corporate giving both followed the same pattern that we have already observed. Total per-capita giving in real dollars expanded relatively rapidly in the late 1950s and 1960s, rising from $208 per person in 1955 to $324 per person in 1970. Per-capita giving dropped as a result of the economic slump brought on by the OPEC *oil-supply shocks in the first* half of the 1970s, but remained within the range of $308 to $343 for the rest of the decade. Total per-capita giving then began rising markedly in the 1980s, from $340 in 1980 to $486 in 1989. The annual compound growth rate over those years—4 per cent a year—is robust when compared with the 2 per cent average annual increase in the 25 years prior to 1980.

Total, Individual, and Corporate Giving in Constant Dollars

(Billions of 1990 Dollars)

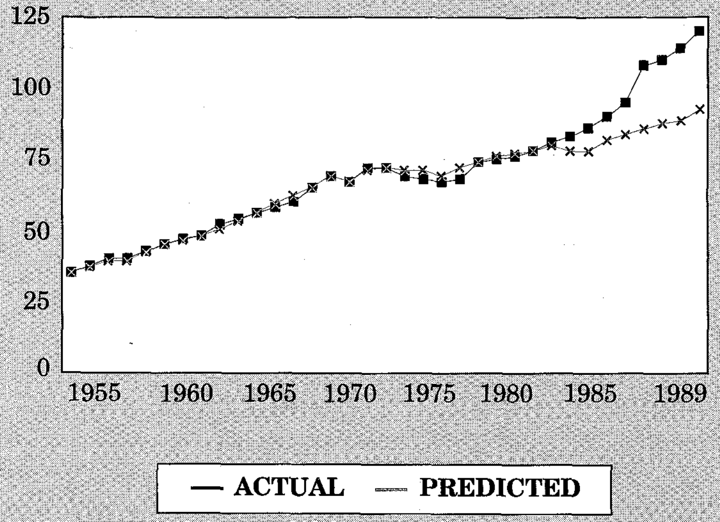


Source: *Giving USA: 1990* (New York: AAFRC Trust for Philanthropy, 1990); and author's calculations.

The same trends are observed in charitable giving as a percentage of national income. Charitable giving has never absorbed more than a very small fraction of national income in the United States, remaining below 3 per cent of national income between 1955 and 1989. However, total giving as a percentage of national income began a marked decline in the 1970s, and *made a marked turnaround in the late 1970s and continued generally upward throughout the 1980s.* Specifically, total giving as a percentage of national income rose irregularly from 2.3 per cent in 1955 to 2.5 per cent in 1970, only to fall to a low of 2.1 per cent in 1979. By 1986, total giving as a percentage of national income had surpassed its former high; it reached 2.7 per cent in 1989.

Total Giving, Actual and Predicted, In Constant Dollars

(Billions of 1990 Dollars)



Source: Author's calculations.

The unusual surge in giving in the 1980s could be explained in part by favorable changes in economic conditions during the decade. It might be said that Americans were giving more not because they were more charitable, but because they had higher incomes and varying tax rates. Some also point to a long-term upward trend in giving that could be attributable to a host of difficult-to-quantify factors, such as changes in religious convictions. Thus it might be argued that the growth in giving in the Eighties was merely an extension of economic changes and historical trends.

The Real Reason

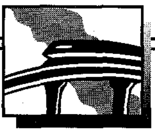
BUT IF that were the case, a statistical analysis of the economic determinants of total, individual, and corporate giving for the 1955–80 period should have predicted actual levels of giving in the 1980s. That was not the case.

Giving in real dollars is directly related (to a statistically significant degree) to real GNP per capita; to the tax rates; and to the population. The levels of total real dollar giving by year were computed for the Eighties, using the regression formulas developed from 1955–80 data, and the predicted total giving is shown by the dashed line in the second graph on p. 53.

But the actual real level of total giving during the 1980s was higher in every year than would have been predicted from the statistical relationships established in the 1955–80 period. Indeed, actual total giving exceeded predicted total giving by an annual average of $14 billion, or by 16 per cent. Real individual giving exceeded predicted real individual giving by an annual average of $13 billion, or 18 per cent.

Perhaps in some measures not considered here, the 1980s were a "Decade of Greed." There were, no doubt, individual incidents of conspicuous consumption and selfish disregard for the welfare of others. As the editors of the *Wall Street Journal* noted, "The greedy are undoubtedly always with us." But they prophetically ask, "Were the 1980s really the Greed Decade?" In terms of charitable contributions, the answer is a resounding "No." American individuals and corporations in the 1980s outpaced by a wide margin their giving patterns established in earlier decades. This occurred at a time when real tax payments, part of which were intended to serve charitable goals, were on the rise, and at a time when, because tax rates fell, the after-tax cost of giving rose. No matter how the record of giving is measured, the 1980s were in fact a decade of renewed charity and generosity. □

> "Fully 80 per cent of [American] families are on a treadmill—they saw their net family income decline over the past decade or grow by a smaller percentage than did their hours of work. To merely maintain their standard of living, or to avoid falling further behind, they have had to increase their hours of work at the expense of their time with their family and community. Only the very top fifth of these families enjoyed clear gains in their standard of living."
>
> —Senator Paul Sarbanes (D., Md.), January 17, 1992 (reporting on a Democratic Party–sponsored JEC study)



BARBARIANS WITHIN?

Peter Samuel

IN THE FALL of 1981 *Amicus*, the official journal of the Natural Resources Defense Council, published a piece titled "Barbarians at the Gate"; it said that the Reagan Administration and its allies were "abusing the environment in so many ways that it is as if the barbarians were swarming through the gates of Rome, burning and looting." And what precisely was it that agitated the author of this piece, one Bartle Bull, to predict the fall of American civilization at the hands of Hunnish Reaganites?

The first offense was the installation as head of the U.S. Forest Service of John Crowell, a man who had actually worked for a timber company once and believed in logging on some federal lands. Ranching too. And oil and gas exploration. Even mining. Crowell clearly deserved the "barbarian" label for the uncivilized thought that it may be possible to combine some resource development with conservation on federal lands. (Not to be confused with national parks, federal lands constitute 30 per cent of the nation's total land area and a majority of the land in many Western states.) The possible revival of policies of using government lands for human benefit that were generally accepted prior to the environmental revolution of the 1970s sent environmentalists into paroxysms of hysteria.

In fact during the Hunnish occupation of Washington, D.C., the environment did pretty well, according to data assembled by the Council for Environmental Quality. Reafforestation shot up from around 2 million acres annually in the 1970s to 3 million—perhaps because of an improved economic climate. Land in wilderness preservation increased from 80 to 91 million acres over the Reagan years. Wetland losses slowed from an average 290,000 acres annually to 120,000. The Great Lakes continued to get cleaner. Lake Michigan, for example, went from a phosphorous loading of 6,600 tons in 1980 to 2,900 tons in 1988. Water quality in rivers and streams showed mixed trends. In terms of dissolved oxygen, fecal bacteria, and suspended nutrients such as phosphorous and potassium, there was general improvement, though in chlorides, sodium, magnesium, and nitrogen and in both alkalinity and acidity there was regress. Oil spills decreased from an average of 14 million gallons in the 1970s to under 9 million in the Reagan years. The air got cleaner according to most measures. Declines were: sulphur ox-

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Mr. Samuel runs Greentrack International, a Washington, D.C., environmental news service.

ides 12 per cent, nitrogen oxides 4 per cent, volatile organic compounds (gasoline fumes etc.) 14 per cent, suspended particulates (dust etc.) 12 per cent, carbon monoxide 18 per cent, lead 89 per cent. Use of fertilizers and pesticides declined. Soil erosion was down. Numbers of ducks were down quite sharply, but geese increased. The number of endangered and threatened species increased sharply, though much of this is an artifact of the process of government listing.

Reasonable Standard?

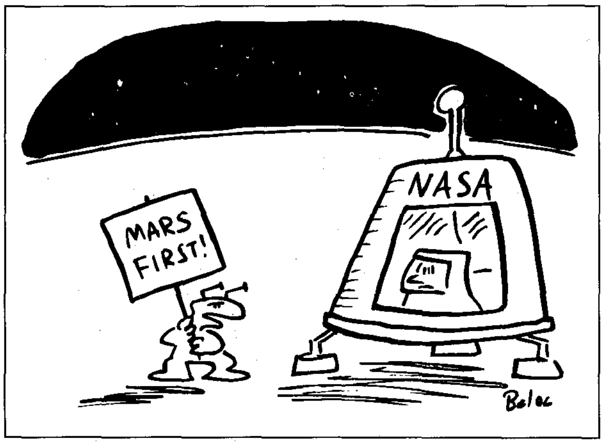
BUT ISSUES like the environment can be argued various ways. Those who want more environmental quality simply frame their discussion in terms of what remains to be done to meet a standard. Some standards are reasonable objectives (though even then, there is legitimate argument about how fast you should go). Some standards are arbitrary. Some keep being tightened so you never meet them. Others are plain ridiculous. A National Academy of Sciences panel on urban air quality recently pointed out that even the elimination of all human activity in some American cities would not allow the EPA's volatile-organic-compound standards to be met because emissions from surrounding trees exceed them! But standards, reasonable or not, provide a constant measure of deficiency used to beat up on any government. And environmentalists used them to the full against the Reagan Administration.

The environmentalists' most odious barbarian was Secretary of the Interior James Watt.

Not that Watt really deserved all the vilification. He never seriously threatened to roll back any of the environmental movement's achievements. He mostly annoyed them by refusing to show them the respect to which they had grown accustomed. And he did for a while threaten their main Washington redoubt by cutting the funding and staff of the EPA. At 10,400 in 1975, it had grown to 13,000 in the Carter Administration. Under Watt the EPA had a short period of decline in numbers to around 12,000 but it quickly recovered, and toward the end of the Reagan Administration and under President Bush has grown rapidly. It is now at 17,500.

Early on Watt initiated a Cabinet review of the Clean Air Act, hoping to reduce some of its inefficiencies—for example its extraordinary requirement that power plants install expensive sulphur-collecting scrubbers in their smokestacks even when they burn completely non-sulphurous coal. But according to William Niskanen, who represented the Council of Economic Advisors on the review group, the Reagan EPA administrator, Anne Gorsuch (later Burford), was captive to the EPA staff and killed all reform proposals by branding them "radical." Proposals to reform the Clean Water Act met similar opposition and were withdrawn.

The creation of Superfund—aimed at cleaning up toxic wastes—was rushed through the Congress in Jimmy Carter's lame-duck period and has turned out to be a fabulously expensive drain on taxpayers and shareholders. Its main effect seems to be to provide work for EPA inspectors and lawyers, with only a small proportion of funds going for reclaiming toxic materials and disposing of them.



"I hope that thing doesn't burn fossil fuel."

Preoccupied with trying to contain budgetary outlays on Superfund, the Reagan Administration devoted all its intellectual energy to limiting the immediate costs to the federal budget, with sad consequences for industry.

Here was an opportunity to ask some serious questions. Much of the thinking about toxic cleanup is based on the romantic notion that nature is a pristine and benign setting contaminated by mankind. It follows that manmade toxics should be completely reprocessed into benign substances, regardless of the cost of doing this or of the actual risk they pose. Under Superfund, the absurd situation obtains where tens of millions are spent removing a toxic heavy metal from ground water because it is deemed the result of improper human dumping, while other ground water nearby, contaminated by *natural* deposits of the same metal, is completely untreated.

Instead of seizing the high ground and opening a debate about fundamentals, the Administration left proposals for reform of Superfund to the Environmental Protection Agency—akin to deputizing the fox to reduce the number of disappearing chickens. The EPA built a constantly growing program and everyone got promoted in the expanding bureaucratic empire needed to administer it.

None of the barbarian rulers of the Reagan era quite worked out how to cope with Washington scaremongering. Mostly they just got panicked into playing along. Take the case of Times Beach, Missouri, a tiny town where high levels of the trace chemical dioxin were measured and publicized in 1986. Some ten years before, to reduce dust nuisance, the dirt roads in Times Beach had been sprayed with a sealing oil containing the chemical.

Dioxin has never been known to do more than cause skin rash even when people have been soaked in high concentrations of the chemical, as in industrial accidents. But the anti-war crowd had successfully anathematized dioxin because of its presence in Agent Orange, used in Vietnam. Agent Orange air crews who mixed and loaded the chemical and spent hours daily in its spray mist showed no higher incidence of disease than their colleagues who had nothing to do with the chemical. Similarly, despite the hullabaloo about Times Beach's road spraying, there was no evidence of higher disease rates in the little town. No special health problems, and no public-health justification for doing anything at all—except perhaps to send in some non-ideological scientists from the American Council on Science and Health to tell residents the facts about dioxin.

Yet Anne Gorsuch played the green scare game to the hilt. People who had lived there all their lives without any sign of trouble were ordered out of their houses. Miss Gorsuch personally traveled to the benighted little town to announce that the EPA would spend $33 million to buy up all the homes and businesses and close the place down permanently. To placate the evil spirits of environmentalism, mankind (via American taxpayers) would pay its penance and be banished forevermore from the scene of this terrible crime against Mother Earth.

On the Plus Side

ONE THING the Reagan Administration did do was scare the bejesus out of the better-informed environmentalists by funding a solid scientific study of acid rain. Throughout the 1980s the greens had hustled up scares about acid rain. Typical of the sweeping claims was the statement in the Spring 1986 issue of *Amicus* that "acid rain is destroying our soil, forests, and lakes—the basis of the earth's life-support system—and damage is occurring coast to coast." The Reagan Administration launched the National Acid Precipitation Assessment Project (NAPAP) to evaluate these claims. It involved five years of studies and over $500 million in research projects. It was scientifically unimpeachable, and concluded that the environmental zealots were talking through their hats. Lake and stream acidity was overwhelmingly the product of the relative acidity and alkalinity of local soils and rocks through which ground water passed, not precipitation, NAPAP discovered. This explained the presence of highly acid lakes in the pristine non-industrial environment of the South Pacific, and alkaline lakes in areas of "acid rain." The study found no evidence of damage to forests or crops from acid rain. Tree damage that had been attributed by many observers to acid rain was actually the result of pests, diseases, and climatic stress, the report said.

In short, it found that there was no scientific justification for forcing electric utilities to install expensive equipment to cut sulphur-dioxide emissions from their smokestacks, and that SO_2 was not the cause of forest dieback, lake acidity, or crop damage.

All of this was simply censored by environmental writers at the *Washington Post* and the *New York Times*. And the Reagan Administration, having gotten the NAPAP report, did nothing to break through the wall of silence surrounding it. It was left to incoming President George Bush to take the next step in obeisance to the greens by pushing a new Clean Air Act that incorporated $30-billion worth of anti-SO_2 measures. A number of economists have listed the wasteful Clean Air Act as one of a handful of events that ended the economic growth of the Reagan years and precipitated the economic malaise that has taken President Bush down from 80 per cent to 35 per cent public support in public-opinion polls.

Richard Stroup, who was director of the Interior Department's office of policy analysis for several years in the 1980s, says there were some limited accomplishments. He mentions:

—highlighting the skewed priorities of some existing programs and focusing some public attention on costs;

—introducing some limited markets in pollution rights;

—a speed-up of leasing coal-mining rights in federal land;

—the ending of federal subsidies to development of coastal barrier islands;

—a beginning in trades in water.

In an article in *Regulation* magazine Stroup wrote that the basic trouble ever since the founding of the Environmental Protection Agency under Richard Nixon has been that the government is "trying to provide environmental quality the way the Russians grow wheat—with central political control—and trying to preserve land and wildlife with straight socialism, namely ownership of the means of production."

Stroup says the Reagan Administration never challenged this own-it-or-control-it system, which is the heart of the problem. Under James Watt the environmentalists were teased. Under subsequent leadership the Administration tried to placate the environmentalists. It never did serious battle with them. ☐

FEAR OF THE FOREIGN

Evan G. Galbraith

IN STUDYING litigation at law school, one learns that pleading in the alternative is not only proper but often the only way the defendant is assured of a comprehensive defense. And never mind that the separate defensive arguments may appear contradictory. The old English case one read at Harvard involved a plaintiff claiming the defendant wrongfully held the plaintiff's vase. The defendant pleaded that he a) never took it; b) had given it back; and c) was the rightful owner.

It is thus that we must look at our trade deficit—in divergent ways: a) After necessary statistical adjustments, we do not for all practical purposes have a trade deficit; b) our trade deficit reflects a strength, not a weakness; c) in the long term, it will probably disappear.

The biggest single factor in our trade deficit is oil, and if you take oil and Canada out of the calculations, our trade deficit disappears. It is advisable from a macroeconomic point of view that we make these adjustments because: a) Canada and the United States are one trading bloc—soon to be consummated—and one *de facto* monetary unit; b) oil is traded in dollars—no foreign-exchange transaction is triggered by the supplier's selling into the United States; c) and suppliers hold most of their reserves in dollars, i.e., the purchase money never leaves the United States. Other countries have to earn dollars to purchase oil. We do not. d) The fact that we purchase foreign oil is irrelevant to any judgment about whether or not our goods are competitive and whether we are relatively efficient—the making of such a judgment being one of the reasons why we keep trade statistics in the first place. e) Eventually, for envi-

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Mr. Galbraith, who served as U.S. ambassador to France from 1981 to 1985, is Director of Morgan Stanley International.

ronmental reasons, other sources of energy such as Canadian and Mexican natural gas will replace substantial amounts of imported oil, so in ignoring oil, we are not being unmindful of the future.

In most countries a chronic trade deficit reflects a problem, i.e., the non-competitiveness of a country's products: either their exported products don't measure up in quality or price in the world markets, or imported products are preferred by domestic consumers for the same reasons; or both. In these circumstances, the deficit country can run low on the foreign currency necessary to pay for essential imports—oil, minerals, and even food—and eventually the deficit country may have to restrict imports, either directly; or indirectly, by devaluing its currency. This will lower the country's standard of living.

Some countries overcome a trade deficit by the inward flow of foreign currency from so-called "invisibles"—e.g., tourism, insurance premiums, banking services. Indeed, one must look at the entire "current account" (of which trade in only one part) before reaching conclusions about deficits. If there is an overall current-account deficit, it must be matched mathematically by an equivalent positive amount in the "capital account," which records investment flows. A current-account deficit is covered in the capital account by the deficit country's borrowing abroad, receiving investment funds (equity or debt) from abroad, disposing of reserves of foreign currency, or diminishing capital outflows. If the capital-account surplus ceases, then the current-account deficit will also cease. Alternatively, if there is a surplus in the capital account, then there must be a deficit in the current account.

This brings us the proposition that a current-account deficit, or the trade component thereof, is not necessarily a sign of a nation's weakness. Indeed, during the hundred-year dominance of Britain from Waterloo (1815) to World War I (1914), Britain had a chronic trade deficit despite the captive market in the Empire for British exports. This was because money poured into the country on both the capital account (countries held sterling bonds; foreigners invested in the UK), and the current account (foreigners purchased British services, such as insurance from Lloyd's, banking from the City of London, engineering from the Midlands). This incoming money was used by the British to buy goods from everywhere, creating the highest standard of living in the world. Imports were good for Britain, not only because consumers benefited, but because the foreign products often forced British products to be competitive. Only as Britain became more protectionist, toward the turn of the century, did she become less competitive.

During this hundred years, Britain also exported its excess capital around the world, which it could do thanks to the capital inflows and the stable, non-inflationary nature of its currency (there was almost no inflation during this hundred years; indeed, most items became cheaper as the Industrial Revolution progressed). This caused Britain to acquire substantial foreign assets, the earnings from which increased the current and capital accounts, allowing the luxury of a

What Do the Wealthy Pay?

Myth: The 1986 tax act was pro-rich.

"When Congress enacted the Tax Reform Act of 1986, lawmakers hailed its alternative minimum tax provision as the most stringent ever, guaranteeing that nobody would ever escape paying at least some tax. . . . [But] passage of 'the toughest minimum tax ever' resulted in a 75 per cent drop in the number of people who paid the tax, and a 90 per cent drop in the amount they paid.

"On average, a millionaire in 1986 paid an alternative minimum tax of $116,395. Three years later, a millionaire paid $54,758. That amounted to a 53 per cent tax cut."

—Barlett and Steele, Philadelphia Inquirer, *October 1991*

This is a schoolboy howler of such proportions that if the authors had been correct on everything else, their reputations would still be in ruins. They note—correctly—that fewer millionaires pay the Alternative Minimum Tax today than before the 1986 tax reform, and that those who do generally pay less AMT than before the 1986 act. However, rather than indicating an "illusory" tax hike on the rich, lower AMT payments reflect a more progressive tax system.

AMT payments rise or fall in lockstep with the number of tax loopholes or "tax preferences" available to wealthy taxpayers. (The minimum tax is designed to curtail the benefits of such exemptions.) The 1986 reform eliminated many of these loopholes, including passive real-estate tax shelters and the preferential tax treatment for capital gains. Thus while AMT payments fell after 1986, the total amount of personal income taxes collected from wealthy taxpayers rose dramatically:

Personal Income Taxes Paid by the Wealthy

	Income Tax Payments			
Gross-Income Bracket	**Amount ($Bil.)**		**% of Total**	
	1986	**1989**	**1986**	**1989**
$100,000–$200,000	$ 37.3	$ 55.1	10.2%	12.5%
$200,000–$500,000	27.1	42.9	7.4	9.8
$500,000–$1 million	12.9	20.0	3.5	4.6
$1 million+	29.2	39.4	7.9	9.0
$100,000+	$106.5	$157.4	29.0%	35.9%

Taxes paid by individuals earning $100,000 and above rose by more than $50 billion within three years of the 1986 tax act; their share of total income taxes rose from 29.0 per cent in 1986 to 35.9 per cent in 1989.

It follows that people earning less than $100,000 paid a smaller share of income taxes in 1989 than in 1986.

—ED RUBENSTEIN

large trade deficit. All of this brings us to the Reagan trade deficit. America in the 1980s should be compared to Britain in its glory years, and not to a country that shows a trade deficit because its products are not competitive.

In the Reagan years, the trade deficit grew because the country became more prosperous, drawing in imports and raising living standards. Investment poured in (and more importantly, ceased flowing out) to take advantage of dropping interest rates (creating capital gains in the bond market, an increase in the value of the dollar, a rise in the stock market, and the availability of loans to acquire companies at reasonable prices). The export performance during the Reagan years was spectacular, more than doubling, with manufacturing and exports both increasing their percentages of U.S. GDP, but the large increase in household incomes sucked in imports even more rapidly, thus creating the trade deficit.

A High-Class Problem

THE REAGAN trade deficits were the result of the Reagan prosperity. That's what is called a high-class problem. But there are those who see it as a problem nonetheless—who cling to the notion that foreign-owned investment in the United States is a threat. These fears were sharpened by dislike of specific investors—oil-rich Arabs and efficient Japanese. The fact is that it takes two things for any country to grow: work and capital, which can include foreign capital. Growth not only creates new jobs, it creates better jobs, making dreams of upward mobility a reality. Just as British capital invested here contributed to pre-1914 U.S. growth, so does Arab, Japanese, German, French, Taiwanese, Korean, et al. capital add to our present growth.

But what are we to make of the charge that we have become a debtor nation, Uncle Sam with a tin cup seeking handouts? First of all, the value of the assets we hold abroad—IBM, Coca-Cola, Exxon—must be re-calculated to reflect their true value and not their historical cost or an arbitrary value established by the Commerce Department. The fact that Coca-Cola now makes more profit in Japan than it does in the United States is not adequately reflected in the evaluation of Coca-Cola Japan. Moreover, it is only in the last few years that interest and dividends paid abroad have exceeded, slightly, the earnings generated by our own foreign assets. Second, when the U.S. borrows abroad, it is in dollars, our own currency, not in a foreign currency as Brazil and Mexico have been forced to do; it makes no material difference if the holder of a U.S. Treasury bill is sitting in Nassau or in Miami. If foreigners stop holding our debt instruments, then they will lose us as a market for their goods. Third, the official figures mix debt and equity, and while both theoretically represent claims on the U.S., lending to the U.S. and investing in equity in the U.S. are different and have different consequences. Much of the $2.5 trillion of foreign holdings in the U.S. represents a rise in our stock and bond markets. We have been a good place for foreigners to invest. We could eliminate the $382-billion difference between our holdings abroad (officially, $2.1 trillion) and foreign holdings here by a brisk sell-off in our markets. The fact is that as long as we have the good sense to maintain a competitive, growing, non-inflationary economy, we will continue to attract foreign lenders and investors, all to the benefit of our economy.

The threat to our economy is not from abroad, it is from Washington, D.C. That is where protectionism, high taxes, crippling regulation, and excess spending come from.

And yet people still speak of the threat to American jobs from free trade with foreign countries. Jobs saved by protectionism always cost astronomical amounts: they cause domestic prices to rise, lessen the quality of domestic products, and lessen job creation to the point where, net, fewer jobs are available. A prosperous Mexico and Canada are in our best interests. They buy our products (creating jobs) and invest in our country and in theirs (creating jobs). What those who complain are really saying is that free trade is a threat to our unions—whose members often are our less productive workers. The raison d'être for unions is more for the union leaders than for the members. In any case, we should not subsidize the maintenance of the unions by protecting union jobs at the expense of other American jobs, at an enormous cost to the consumers, and to the detriment of our industries' competitiveness.

We came out of the Reagan years in competitive shape, with admittedly a mixed record in protectionism, but with a growing economy. The latter has been derailed by President Bush, but we still seem strong enough to recover despite the recent increases in taxes, regulation, and spending. Trade can bring added growth, and the Reagan years were growth oriented. While we may quarrel over certain aspects of President Reagan's policies—for example, an undervalued dollar and continued protectionism—he certainly recognized that it was in our best interests that our trading customers be strong. The trade deficit is a political weapon for the demagogues, and we should not allow ourselves to be stampeded into doing something dumb. ☐

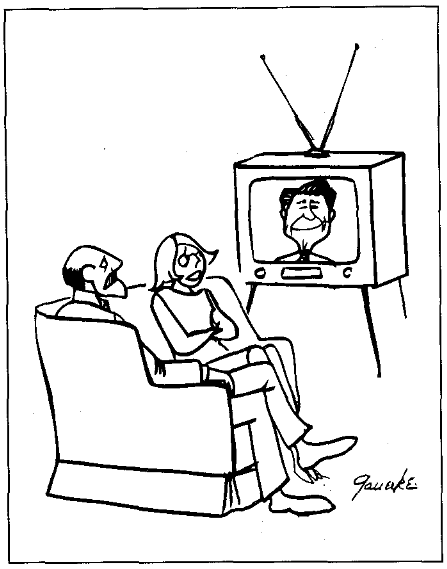
WHEN THE LOSERS WRITE THE HISTORY

Martin Anderson

THERE IS a great deal at stake in the writing of the history of the Reagan Presidency. For the past 25 years most of the men and women on the political Right—conservatives, neoconservatives, libertarians, and traditional Republicans—have focused their energies on creating new policies, forging political coalitions, electing Presidents, and fomenting peaceful worldwide revolution. They have been successful far beyond their wildest fantasies.

But while many of us have been basking in warm contentment and self-satisfaction, those who were beaten have been busily writing our history. Perhaps we should not be so surprised to read and hear with increasing frequency that the decade of the 1980s was a decade of greed and corruption, that the U.S. economy—after posting the greatest economic expansion in the history of the world—was a failure, that Communism fell because of the benevolence of Mikhail Gorbachev, and that America itself (now the most prosperous nation on earth, the most powerful military force on the globe, and the moral leader of the world) is a troubled nation, a terrible place to live—and all because of Mr. Reagan and his dreadful policies.

Mr. Anderson, a Senior Fellow at the Hoover Institution, was President Reagan's domestic and economic policy advisor, 1981–82. He is the author of the recently published Impostors in the Temple.



NR, December 11, 1981

"I can never forgive him for shoving Ginger Rogers across the room."

"Well . . ." as President Reagan might say, we have no one to blame but ourselves. We have largely let the Left write our recent history. A serious mistake. The future of this country will be powerfully affected by how well young men and women learn which policies were successful in promoting and securing liberty and prosperity and peace—and which policies were not. It is time to set the historical record straight.

The raw economic facts of the Reagan years are clear. From 1982 to 1990 the United States experienced 96 straight months of economic growth, the longest peacetime expansion in its history. Almost 20 million brand-new jobs, most of them high-paying jobs, were created. Inflation fell dramatically to low levels and stayed there as the American dollar once again became sound. Interest rates also fell dramatically and stayed down. The stock market soared, nearly tripling in value. Government revenues—at the federal, state, and local levels—nearly doubled, making possible the largest increase in social-welfare spending in history. And, almost incidentally, we financed an enormous buildup in America's military power, checkmating the evil intentions of the old Soviet Empire, and ultimately causing the disintegration of Communism throughout the world.

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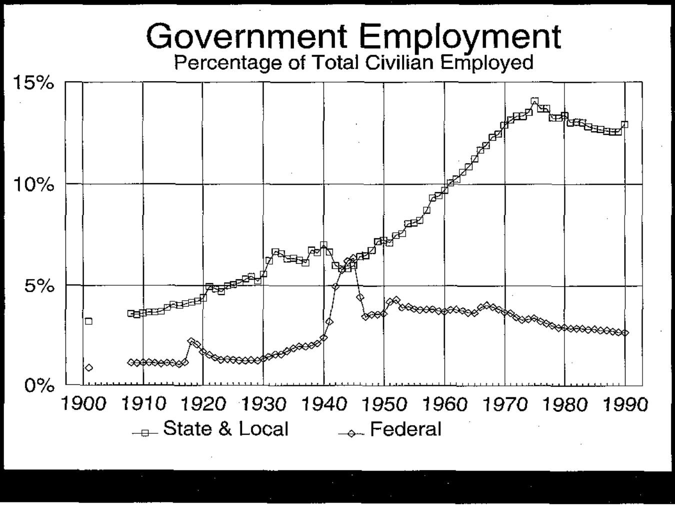

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But listen to what some of the most influential voices in the American media have been telling Americans in recent years.

"For ten years Ronald Reagan taught us there was a free lunch. Folks, he said, we're going to cut your taxes and we're going to spend like there's no tomorrow and you don't have to pay for it."
—Sam Donaldson on *This Week with David Brinkley*, October 7, 1990

"Reagan, as Commander-in-Chief, was the military's best friend. He gave the Pentagon almost everything it wanted. That spending, combined with a broad tax cut, contributed to a trillion-dollar deficit . . . Social programs? They suffered under Reagan."
—Tom Brokaw, NBC News Special, *The Eighties*, December 27, 1990

"Bush was saddled with a lot of the supply-side voodooism of the Reagan era . . . Reagan was not the President of morning in America: he was the President of the free lunch."
—Robert Healy, retired *Boston Globe* Washington Bureau Chief, October 11, 1990

"It is really Ronald Reagan's fault: His steady emasculation of federal domestic programs forced the states to increase spending on essential services although they had no accompanying source of increased revenue."
—Marianne Means, national columnist, April 29, 1991

". . . the evil excesses of the Reagan years."
—Nancy Gibbs, associate editor, *Time* magazine, December 31, 1990

At first glance we could dismiss this as a natural consequence of a press corps dominated by left-liberals. I think the problem lies much deeper. After all, the men and women who write these falsehoods, the professional intellectuals of our land, are—by and large—honorable. The problem is that most of them seem to believe that what they say is true.

But why? I think the prime reason so many in the media persist in retelling the Reagan myths is that our academic intellectuals, those who profess to tell us the comprehensive truth free and clear of political prejudices, have lost their integrity. And when professors from Princeton and Harvard and MIT distort the Reagan economic record, it is not surprising that many in the media get it wrong.

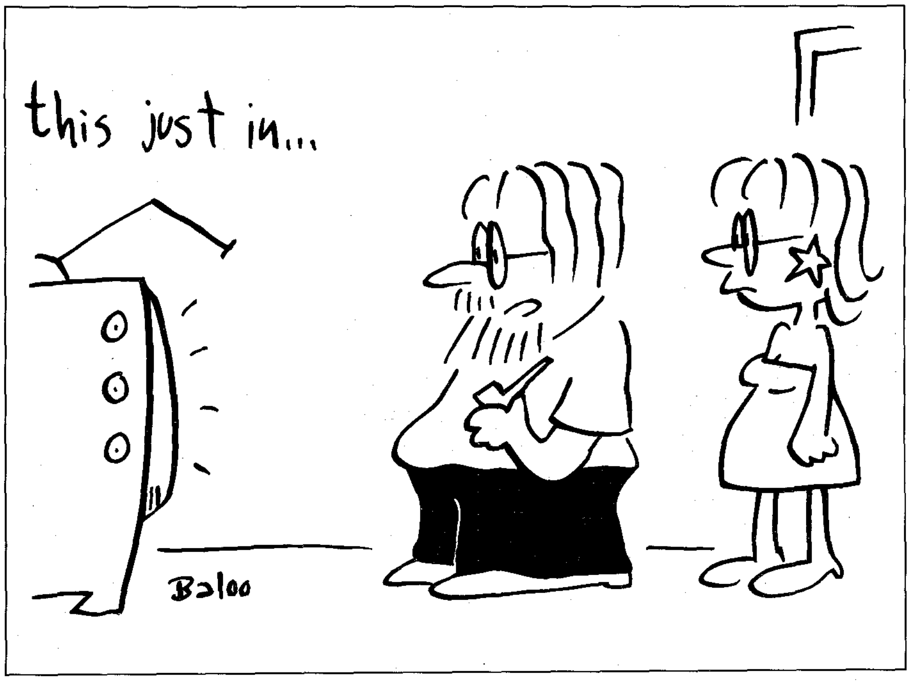
Poisonous Fog

AT THE HEART of this poisonous fog of misinformation is the attack on the very legitimacy of Reaganomics itself. The attack comes from two angles.

The first asserts that the economic ideas espoused by Ronald Reagan came from somewhat disreputable sources, implying that if the messengers are not expert the message must be wrong. Tales abound that Reagan listened to (besides himself) only a handful of non-economists—in particular Jude Wanniski and George Gilder. The truth of the matter is that, first, Wanniski and Gilder have said many sensible things about economics, and second, they were not Reagan's economic advisors.

To begin with, Reagan himself was a pretty good economist. He majored in economics in college and studied economic policy for many years, including his eight years as governor of California. But the driving force behind Reagan's economic policy was the large group of economic experts he assembled in 1980. During the presidential campaign there were 461 distinguished policy experts who advised him on everything from welfare reform to nuclear-weapons policy. Of these, 74 were economic-policy advisors, organized into six different task forces, on: 1) the budget, 2) inflation, 3) international monetary policy, 4) regulatory reform, 5) spending control, and 6) tax policy. The most influential of these advisors were on the campaign's Economic Policy Coordinating Committee. Chaired by George P. Shultz, it included Arthur F. Burns, Milton Friedman, Alan Greenspan, Michael T. Halbouty, Jack Kemp, James T. Lynn, Paul McCracken, William E. Simon, Charls E. Walker, Murray L. Weidenbaum, Caspar Weinberger, and Walter B. Wriston.

It was this group of experts who crossed every *t* and dotted every *i* of Ronald Reagan's economic policy. Reaganomics sprang from the heart of the traditional Republican establishment of policy economists, but you would never know it from reading the academic studies and most of the media coverage. As a consequence, much of the legitimacy of Reagan's economic policy has been wiped from the public record.



"Maybe it's about time to re-release the Reagan Administration."

The second angle is to misrepresent (and perhaps in a few cases lie about) the substance of that policy. Two falsehoods are particularly egregious. The first is that Reagan claimed that one could substantially reduce tax rates, sharply increase government spending, and balance the federal budget simultaneously. The second, a corollary of the first, is that one could magically increase federal revenues instantaneously by reducing tax rates. The conclusion was rather simple: given the transparent nuttiness of such claims, the economic policy itself must be wrong.

As for the first falsehood, let us go back and look at the record. Yes, Reagan did in September 1980 call for substantially reducing tax rates, sharply increasing defense spending, and moving toward a balanced budget by 1983. And it was an eminently reasonable thing to do, for at the time virtually every economic forecaster in America (including in the Congressional Budget Office) was projecting *large, increasing federal surpluses* for the next five years. In September 1980 the consensus economic forecasts showed a federal budget deficit of $23 billion for 1981, a *surplus* of $2 billion in 1982, and surpluses of $50 billion in 1983, $106 billion in 1984, and a whopping $182 billion in 1985.

I know all this sounds unbelievable in today's context of annual deficits in the neighborhood of $400 billion, but that's the way it was in the fall of 1980. The Democratic economists (and many of the Republican ones, for some unfathomable reason) have forgotten this historical fact. Given the huge, mounting surpluses forecast in 1980, there were essentially two choices: 1) spend more of the people's tax money to eliminate the surplus or 2) reduce tax rates and return that money to its rightful owners, the American people. In 1980 Ronald Reagan chose the latter course.

When Reagan was campaigning for the Presidency, the cumulative budget surplus over the next five years was projected at $317 billion. The savings he proposed by controlling the growth of federal spending added $195 billion, and the economic growth that was expected to result from tax-rate reduction added another $92 billion. The grand total was $604 billion.

Reagan proposed to put fully 88 per cent of that surplus tax money back into the pockets of the American people by reducing tax rates. The remainder would probably have been used to pay off some of the federal debt. The Democrats saw it differently. They saw a windfall of $317 billion and were quietly licking their fiscal chops as they thought about spending it on domestic experiments.

Not a single extra penny was promised by Reagan in the fall of 1980 for increased defense spending. The Democrats, trying to put on a strong military face for the election, had already built increases into the future defense budget—from $134 billion in 1980 to a healthy $270 billion by 1985—that were more than sufficient.

But not everything turned out as planned. By early 1981 the economic indicators had begun to turn down, surprising the economic forecasters, all of whom had missed the kind of damage that recent Democratic economic policies had done. Then the economy went into the tank—a severe recession that could have turned into a bona-fide depression. The tax-rate reductions that Reagan pursued as President became not a luxury made possible by a surplus, but a necessity to fight off the deepening recession. The major cause of the rapidly growing deficits was the recession, not the tax cuts or increases in defense spending. At the time, there were few economists—not even the reliable left-liberal variety—who opposed the tax-rate reductions.

Finally, there is the myth that Reagan and his top advisors believed it was possible to increase tax revenues instantaneously by cutting tax rates. It is a damaging myth because it suggests that those in charge of economic policy in the early 1980s had a rather tenuous grip on reality.

In fact, in every economic speech and policy paper issued both during the 1980 campaign and during the entire eight years that Reagan was President, any proposed tax-rate reductions always showed immediate and substantial tax-revenue losses. On the other hand—and this is the point most people seemed to miss—total tax revenues were expected to continue to climb, but *not as much as they would have if the tax rates had not been cut.* The critical phrase here is "not as much as they would have." Some people seem to have become confused by statements to the effect that tax revenues would continue to rise even after the tax-rate reductions. Which, of course, is exactly what did happen. During the Reagan years, in spite of the large 1981 tax-rate reductions, federal tax revenues nearly doubled. The reason why Reagan was able to reduce tax rates and still see revenues rise was that the tax rates were way too high in the first place. And the fact that tax revenues doubled under Reagan suggests we did not cut tax rates nearly enough in the 1980s.

> "To challenge the conservative hegemony, Democrats need to define the Reagan–Bush years—to create an imagery of Reagan–Bush America that supersedes the Carter years and impeaches the credibility of conservative governance for middle America. The battle to define the Reagan–Bush years is a critical political arena where Democrats have the opportunity to disrupt the Republicans' hold on the middle class. . . ."
>
> —Stanley Greenberg, political consultant to Bill Clinton

It should be noted here that the nasty current deficit problem is due entirely to the ingenuity of the federal bureaucracy, the avarice of Congress, and the recent ineptitude of OMB in controlling the growth of federal spending, spending which has managed to outrace the largest increase in federal revenue in U.S. history.

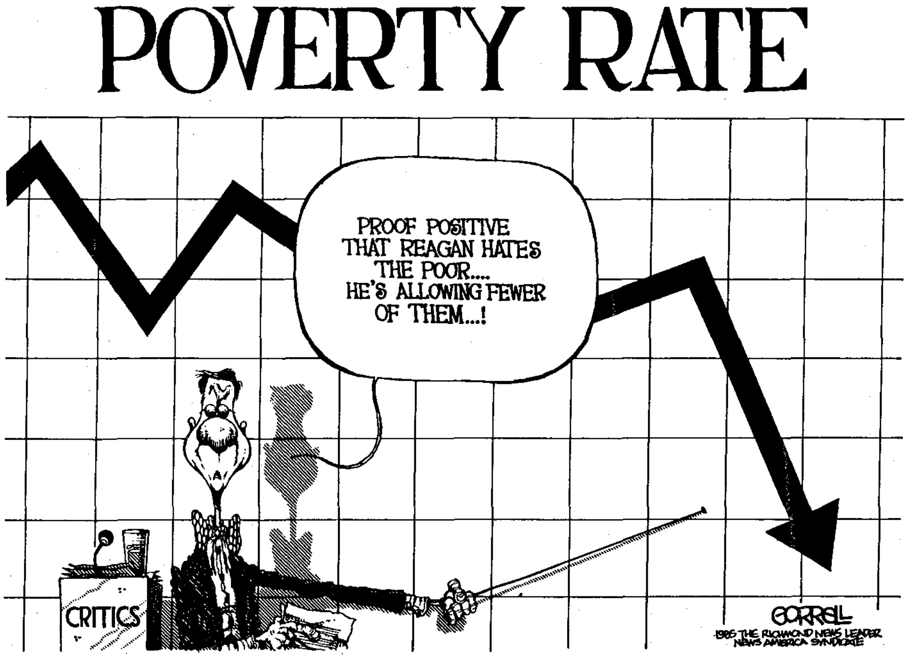
In the Heart of Academe

BUT THE myth that the Reagan Administration thought it could raise more revenue immediately by cutting tax rates persists in the heart of the academic economic community, among intellectuals who pride themselves on separating fact from myth. Their false charge of Reagan's economic stupidity has been repeated in scholarly articles and at scholarly conventions. In my 1988 book, *Revolution*, I spelled out in some detail how men like Martin Feldstein of Harvard, Walter S. Salant of the Brookings Institution, Herbert Stein of the American Enterprise Institute, Alan S. Blinder and William Branson of Princeton, and Robert Solow of MIT had all essentially made this damaging and false charge. When I asked Feldstein, Stein, Salant, and Blinder then if they had any evidence to back up their charges, they could not produce any. Four years have now passed, and still not one of them has deigned to correct the mistake.

After a while it makes you wonder. When scholars with distinguished reputations can make false statements to large audiences of their peers and not a murmur is heard, and when they can produce no evidence to support their false claims and yet they do nothing to correct the record, then one has to raise the possibility that something more may be afoot here than simple carelessness.

Finally, a Reaction

A CASE in point. In August of 1991 the *Wall Street Journal* ran an article consisting of the several pages from *Revolution* that dealt with some of these false statements. Although I had not heard a word from any of these scholars when the book was published in 1988, the article in the *Wall Street Journal* incited Professor Alan Blinder, the chairman of the economics department at Princeton, to respond with a furious letter-to-the-editor.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NR, October 18, 1985

In his letter Blinder repeated the charges he first made in his 1987 book *Hard Heads, Soft Hearts*. He then deftly changed the subject by accusing me of a "rank violation of trust, manners, and the canons of scholarship" for printing what he had sent to me in response to my request for information, which I had specifically indicated would be used for my book. Although my patience was wearing a bit thin I responded with my own letter to the *Wall Street Journal*, again explaining that Professor Blinder had committed serious errors in his 1987 book and pointing out that in four years he still had not produced any evidence to support his charges.

That really set Blinder off. A few days later I received a rambling letter in which he accused me of being "short on content and long on malice," said I had called him "a liar," and said that I was a "liar." Furthermore, said Blinder, "every hearing person in America has heard Ronald Reagan claim that tax hikes lose revenue dozens of times," which is an interesting comment if only because it has nothing to do with Blinder's original false statements. The letter concluded by accusing me of writing "content-free invectives," and saying my motive was "all too apparent" and "none too admirable."

Realizing that Princeton professors are mighty busy and may not have time to do the necessary research, I carefully put together a packet of materials for Professor Blinder that included 1) quotations of the passages from his 1987 book that contained the false statements, 2) Reagan's economic-policy speeches and fact sheets that spelled out the tax-revenue losses that were expected to result from the tax-rate reduction, and 3) the official 1982 budget documents from OMB that detailed the expected tax-revenue losses. I sent these materials to Professor Blinder with a letter that asked this question: "In the light of the evidence contained in the attached documents, don't you believe you should retract the false assertions you make in *Hard Heads, Soft Hearts*?"

A month later I got my answer. "I do not carry on correspondence with people who publish highly selected portions of my personal letters out of context," said Professor Blinder. Interesting. Not a word about the documents. Not the slightest attempt to defend his false statements. Not the slightest hint that he would retract his charges because of the documentary evidence provided to him. Just a new false charge that I was quoting him "out of context."

It is one thing to make an error or false statement unintentionally. It is quite another thing to let it stand uncorrected in the literature despite documentary evidence to the contrary. For to do so converts a simple false statement into a deliberate lie. Such actions from a person in a position of high trust seem inexplicable. But perhaps there is a simple explanation.

In 1983 Professor Blinder gave a long, personal interview that was published in a relatively obscure book called *Conversations with Economists*. In that interview he spoke passionately about his political views and bragged openly about how he intended to use economics as a political weapon. Here's what he said a few years before he wrote about President Reagan's economic policies:

> I guess I'm naturally a loudmouth. Part of it goes back to the attitude I had when I was 18 years old and first discovered economics. I saw social problems and thought the economics could contribute something to overcoming them. I feel more passionately involved recently because of the movement to the right, the election of Reagan, and the politics that Reagan has brought in. I have become more of an activist than I ever was before. . . . I am involved in an organization called the National Policy Exchange, which, while it doesn't want to be described as a Democratic think tank, really is. . . . I used to keep quiet, but if we keep quiet and the right-wingers keep yelling, what has happened will keep happening.

Professor Blinder is not the only member of today's academy who, while professing scholarly objectivity, writes about Reagan's policies with a bias and disregard for the truth that would make even a staff member of the Democratic National Committee blush. □

Reprints of "The Real Reagan Record" are available for $2 each; 25 copies, $45. Bulk prices available upon request. Please write National Review, Reagan Reprint.

BOOKS, ARTS & MANNERS

The Valkyrie of Lava

JOHN SIMON

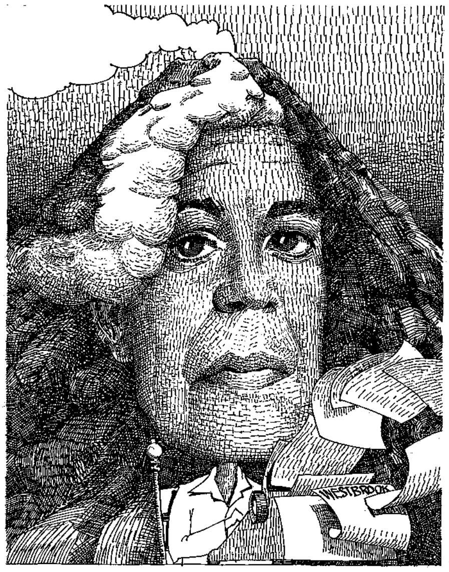
TWO of the most arresting things about Susan Sontag's new book, *The Volcano Lover: A Romance*, are the title and the subtitle. Why "romance," when to all intents and purposes it looks like a novel? In an interview, Miss Sontag declared that, "to find the courage to write this book," she needed "a label that allowed me to go over the top," as if novelists since Proust, Kafka, and Joyce had done anything less than that. Also, she said, "the novel becomes such a self-conscious enterprise for people who read a lot." Does that mean that habitual novel readers lose their ability to read un-self-consciously? Or that, when they turn authors, they cannot write an un-self-conscious novel?

None of this makes sense, especially if you look closely at her chosen genre, from medieval tales to Harlequin romances. Actually, in telling the story of Sir William Hamilton, the British ambassador to the court of Naples, his wife, Emma, and her lover, Lord Nelson, Miss Sontag has written nothing like a romance, which, by definition, is something uncomplex. Did she, then, try to disarm criticism by mock-ingenuously pretending to offer it a love story and bodice ripper?

***The Volcano Lover: A Romance*, by Susan Sontag (Farrar, Straus, 419 pp., $22)**

In truth, Miss Sontag undertook to write an anti-romance, and went about it studiously and systematically. Though her point of view is until near the very end that of the omniscient narrator, she carefully positions herself much closer to the noble cuckold she graciously keeps referring to as "the Cavaliere" than to the victorious admiral and world-famous beauty who complete the triangle. And not only does she pick the least dashing player to exalt, she also deglamorizes the other two. Her Emma is, for the most part, not the supermodel to famed painters, dazzling performer of Attitudes (as she called her impersonations of heroines from mythology and art), but the prematurely aging, overweight, gone-to-seed adulteress, whose vulgarity is no longer mitigated by world-class beauty, and who remains lovely only to her uxorious husband and purblind lover. As for Nelson, he is vainglorious, tyrannical, and short of stature, as well as short one eye, one arm, and quite a few teeth.

Furthermore, Emma is always only "the Cavaliere's wife," and Nelson "the hero," which, lower-cased, sounds both mundane and slightly ironic. To be sure, history is on Miss Sontag's side: the cuckold was civilized and fastidious; whereas Horatio and Emma, by the time they became lovers, made unlikely figures of romance. So the subtitle must be a subterfuge to lure those who fear Miss Sontag's vaunted intellect or, worse yet, haven't heard of Susan Sontag at all.


Sam Westbrook

But what about the title, *The Volcano Lover*? It refers to Sir William's documented interest in Vesuvius in particular, and volcanoes in general. For besides being a tireless and influential art collector, he was fascinated by science and by the fierceness, unpredictability, danger of those fire-spewers throughout history. Clearly, Miss Sontag intends the volcano to symbolize—what? Passion, sex, revolution, destruction, beauty and its risks, artistic creation, the spasmodicity and evanescence of life itself. To this end, she peppers her prose with words and tropes that spell out or suggest the volcanic, the eruptive and disruptive, the thrill of fireworks and devastation of lava. Both are dispensed by that great symbol, which, to cap it all, is both male *(erection, emission)* and female *(crater, hole)*.

Be it said in her favor, Miss Sontag has mastered (mistressed?) the historical background. Her Kingdom of the Two Sicilies, Habsburgs and Bourbons, Nelson and Napoleon (the latter merely a shadow), revolutionaries and counterrevolutionaries, vignettes of daily life in southern Italy's *settecento* and England's early nineteenth century, ring fresh and true. When she chooses to get inside her characters, she does so easefully and evocatively. Yet the surest way of getting into them and getting them down—dialogue—is rarely used. She keeps talk to the second-barest minimum, and further de-emphasizes it by dispensing with quotation marks. Thus printed, dialogue tends to merge into narrative, description, digression.

Ah, digression! There is little in her story that does not engender digressions. We are not allowed to forget the author for more than a page or two before she has elbowed her way back in—expatiating, explaining, editorializing, and philosophizing. These digressions may be playfully contemplative. When the revolution forces the court to leave Naples for Palermo, we get an excursus on "the south of the south." "Every culture has its southerners—people who work as little as they can, preferring to dance, drink, sing, brawl, kill their unfaithful spouses," she begins, and before you know it, "Hanoi has Saigon, São Paulo has Rio, Delhi has Calcutta, Rome has Naples, and Naples [to shorten a long sentence] Palermo." Or they may be

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Mr. Simon, NR's *film critic, also writes about theater for* New York *magazine.*

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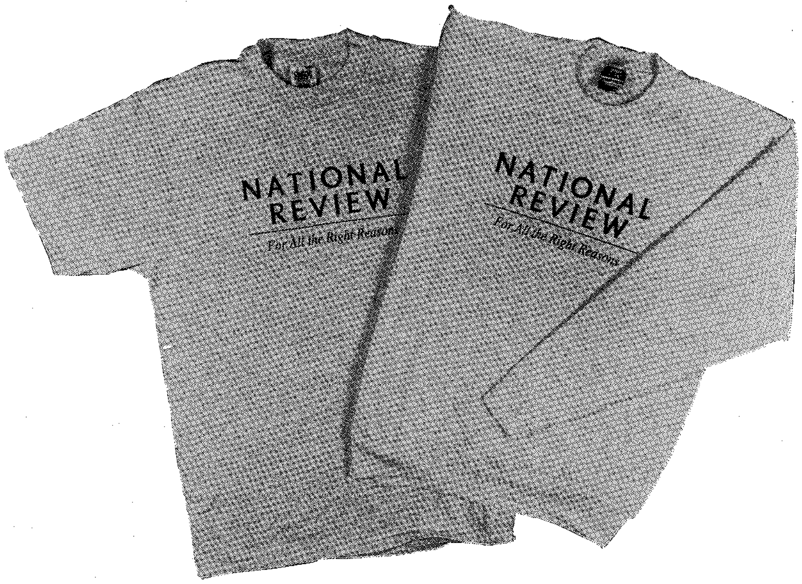

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philosophical–elitist: "We like to stress the commonness of heroes. Essences seem undemocratic. We feel oppressed by the call to greatness. We regard an interest in glory or perfection as a sign of mental unhealthiness, and have decided that high achievers, who are called overachievers, owe their surplus of ambition to a defect of mothering (either too little or too much)" etc.

More unsettling are divagations thrown in for sheer bravura. Thus the scene of Marie Antoinette's beheading, dragged in, as it were, by the hair; thus the fictitious Scarpia made police chief of Naples, and the story of *Tosca* retold with additional, quite gratuitous, embellishments. In a similarly operatic vein, Goethe's stay with the Hamiltons is mythicized (unsuccessfully) into the coming of Mozart's Commendatore. Miss Sontag is an opera lover; even that lengthy visit (ten pages!) to Bomarzo may have been prompted by Ginastera's opera; it certainly isn't intrinsic to her story.

Celebrities make their appearances: Goethe; William Beckford, the misanthropic author of *Vathek*; the famous painters for whom Emma sat. Miss Sontag manipulates them tendentiously. Though she mentions Goethe's general coolness toward Emma, she doesn't quote his calling her a "dull creature," an "inexpressive speaker," and a "disagreeable singer." Sir William, on the other hand, she builds up beyond her sources. He appeals to her by being the nearest thing to an artist and critic: a connoisseur and collector. Indeed, most of the fine pages of the book—and there are some very fine ones—concern collecting, which is to say the nature and value of art as it impinges on life.

One could cite many examples. The collector as heroic toiler—when, having spent all his money on his collection, he must sell it and start all over again. The collector as tragic hero "with a divided consciousness. No one is more naturally allied with the forces . . . that preserve and conserve. But every collector is also an accomplice of the ideal of destruction. For the very excessiveness of the collecting passion makes a collector also a self-despiser" etc. The collector as great lover: "Like sexual feelings, when they . . . are actually lived out in all their vehemence and addictiveness . . . the feeling for art (or beauty) can, after a while, only be experienced as excess, as something that strains to surpass itself, to be annihilated. To really love something is to wish to die for it. Or to live only in it, which is the same thing." Finally, the collector as humanitarian; Sir William muses on his deathbed: "While there are more exalted destinies . . . to discover what is beautiful and share that with others is also a worthy employment for a life."

True, but, as so often, Miss Sontag contradicts herself. If her collector wants to die into his passion, or keep starting from scratch, how come that "Every collector feels menaced by all the imponderables that can bring disaster"? And if "like the impostor, [he] has no existence unless he goes public . . . Unless he puts his passions on display," how can he be the hard-bitten loner? "Most unnatural to be a co-collector. One wants to possess (and be possessed) alone." And how can he resemble the lover? "The soul of the lover is the opposite of the collector's. The defect or blemish is part of the charm."

The collector is a true admirer—of art, volcanoes, women's beauty. Yet, we learn, "A man who has to admire in order to desire is likely to have led a modest sexual life." Contradictions are everywhere, but there is also the neat epigrammatic conclusion, as in "What a deft antidote to anxiety or grief one's own erudition can be."

Impressive as the stylistic pyrotechnics become—such as telling a bit of the story in Q&A format, or switching to narration in the second-person singular (though Michel Butor beat Miss Sontag to that one), or frequently playing with the hypnotic refrain of "here" and "there"—from all that overreaching (not overachieving) the result is surfeit. Especially as Miss Sontag can fall off her high horse into the bathos of, "She seemed to admire him so much, and he enjoyed that."

The delirious use of anachronism, anachorism, prolepsis, hortatory analogy is likewise wearying. We tire of these foreshadowings, flashbacks, parallels, asides; we are blinded by such pennant-waving erudition, particularly when gross errors undercut our faith in the author's omniscience. Thus the word is sherbet, not sherbert; the god (as opposed to the tyrant) is Dionysus, not Dionysius; the subjunctive is wrong in "the Cavaliere asked if she were tired"; a hotel room, unlike a person, can't be raffish; destruction of a city, fancifully put, would be urbicide, not urbanicide; the nominative is called for in "the cousin whom the Cavaliere had told her was very eccentric"; you don't interpose something with something else, you intersperse it; you are racked, not wracked, by spasms; you avoid tautologies such as "one cannot help but see"; and avoid even more stringently such danglers as "With his grey face and long beard and the peasant clothes he wore to disguise himself, the Cavaliere hardly recognized the 47-year-old Neapolitan admiral"; and so on.

But the costliest mistake is the very concept of "the volcano lover." It should infuse and animate the work, make it come into relevant focus. When Empedocles, according to legend, jumped into Etna, the image reverberated—see Hölderlin, Meredith, Matthew Arnold. But when the Cavaliere concludes his dying monologue with "Far from punishing me for my devotion, [Vesuvius] brought me only pleasure," nothing falls into place with a satisfying click. The governing symbol misfires, remains dormant.

And it's no use when Miss Sontag—as a feminist pleading for one of her characters, a hanged woman journalist—talks of women having to delude themselves: "Thus do all women, including the author of this book." What? Miss Sontag forced to lie to herself? Miss Sontag, the winner of prizes, a martyr? She who has long been the media's favorite firebrand, the dauntless valkyrie spouting her private brand of lava? The mother of all eruptors, our very own Crater Mater? Say it isn't so! □

Birth of a Queer Nation

MATTHEW PARRIS

THE WORD "important" is dropped into reviews as pretentiously and often these days as phrases like "hugely entertaining" and "profoundly true." I have hardly used such expressions before, and never together. But *Making History* is true, entertaining, and important in most unusual measure.

Interviewing 45 utterly different Americans, who since 1945 have been involved in utterly different ways in raising the status of homosexuals, Eric Marcus has used his background in television journalism to good effect, but combined it with a patience and an honesty for which only written literature has time. The reader is permitted to sit down quietly with each individual and listen to him, or her, telling his own story in his own words.

Making History: The Struggle for Gay and Lesbian Equal Rights, 1945-1990: An Oral History, by Eric Marcus (HarperCollins, 544 pp., $25)

Out in the World: Gay and Lesbian Life from Buenos Aires to Bangkok, by Neil Miller (Random House, 352 pp., $22)

We are allowed entirely to forget Marcus, yet his labor has been enormous. Each of his subjects is briefly but beautifully described in an introduction which sets the individual in context and gives us a simple sketch of the person and scene. Thus:

> The room . . . was filled with the delightful songs of her many pet birds. Shirley's hair is mostly grey and cut in a flattop style. She looked out from behind thick, black-rimmed glasses and spoke in a deep, smoky voice. As she talked about her past, her eyes often filled with tears.

My admiration for the way Marcus introduces us to his acquaintances, then leaves them *alone* with us, is enormous. He does not try to be smart and he does not judge. In a field riven by personal bitterness, stupid ideological disputes, and the sound of grinding axes, this educated neutrality—judicious almost to the point of being curt—is water in the desert.

We talk to a woman who, as a young secretary in 1945, aware of her feelings for other women but quite unaware how far she was part of any

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Mr. Parris was a Conservative member of Parliament from 1979 to 1986. He contributes a daily political sketch to the London Times *and is the author of a collection of newspaper essays,* So Far So Good.

great category or movement, started to type her own little "newsletters" of a rather innocent kind, making as many copies as the carbon would permit, and sending them to friends, who would send them to others.

We talk to ex-nun Jean O'Leary: "I was always in love at the convent . . . I had eight relationships while I was there. God was an innocent bystander . . ."; to drag-queens and Communists; to a conservative congressman and a sports coach whose careers were wrecked by their homosexuality; to schoolteachers who do not want to be named; and to a black attorney, alone now and elderly, playing the organ in his living room: "He talked about his past shyly and always with a mixture of pain and wonderment." Some are strange, some so very familiar. Some are cocky and carefree; others speak through clenched teeth. There is a sort of pervasive melancholy, but also an unfocused hope for the future.

You will see from the handful mentioned above how various are Marcus's choices. He has most emphatically not made this a Who's Who of self-appointed gay "community" leaders, thank God, and many of his choices are individuals quite unheard of. What separates them, in age, background, and outlook, gives sparkle to these pages. But what links them? What thoughts emerge with any insistence from so unusual a miscellany?

To this reader, the first lesson is the utter inefficacy of education, propaganda, newspaper headlines, and received wisdom in changing what people are. Readers of a conservative disposition will share my delight in the way the collapse of Communism has shown George Orwell's *Nineteen Eighty-Four* thesis to be untrue: half a century of ruthlessly concerted mind-control never went (we now realize) more than an inch deep. Well, my conservative friends, it turns out that what is true in matters commercial and political is true in matters sexual, too. This book will remind the middle-aged how nothing we were allowed to read or hear when we were young portrayed homosexuality as anything other than the wicked and destructive perversion of a tiny minority. Every contributor to this book was immersed in that. And do you know they never believed a word of it?

That is the second lesson of this anthology: Though the moral teachings

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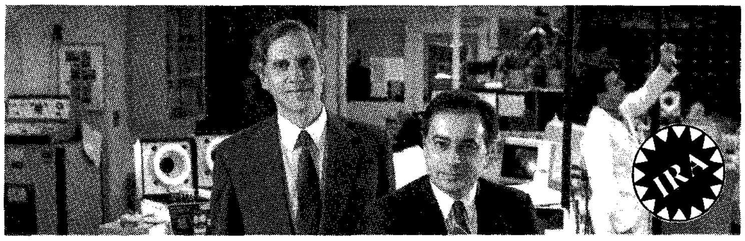

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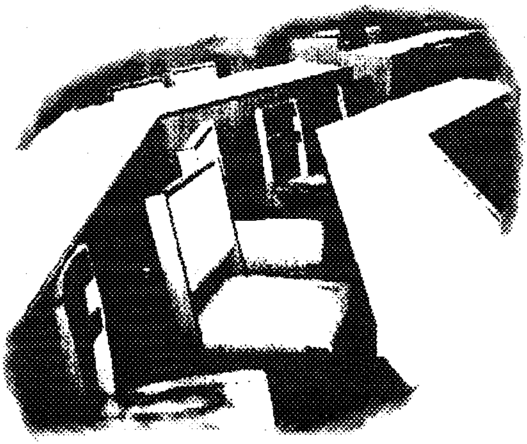

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of a free-market democracy were conservative in the extreme, the practical dynamics of the society it created were revolutionary. Virtually every speaker in the book agrees that it was the freedom to leave home, to make your own living in your own way in the place of your choice, that allowed him to come to terms with his homosexuality. In the West, Marxist voices were siding with sexual freedom, conservative voices with sexual orthodoxy: yet in the East, Marxist systems were *imposing* that orthodoxy. Western conservatives were fostering societies in which what they called perversion could flourish. The irony is delicious. In the West we see the importance of allowing anti-gay sentiment its own institutions, its own voices: we hear it, and choose our response. Under Communism, silence: no voice, no choice, just the most terrible repression.

A third lesson concerns the disgraceful record of medical and psychiatric science in this evolving story. Marcus interviews Dr. Evelyn Hooker, who reminds us that in the Fifties every authority in psychology and medicine agreed that homosexuality disordered the personality—and nobody so much as bothered to test the assertion. She did, and with a very simple method. Using her profession's own tests for "balance" in personality, she presented to a panel of professional colleagues the profiles of each of sixty cases. Thirty were homosexuals, thirty were heterosexuals. She asked the panel to "score" each case, without telling them which were which. The resultant scores showed no difference between the two.

What is so worrying here—and other interviews in the book confirm it—is not that scientists' beliefs are influenced by the mores of their age, but that their *science* is so supine in the face of them. Many will conclude from Marcus's story that scientific truth has finally triumphed over the conventional moral wisdom. My own conclusion is that the conventional moral wisdom has changed, and science has followed it. I draw from this story the moral not that medical science *was* a slave to fashion, but that all science is.

This bears upon another observation. Insistent throughout these vignettes is the wish to believe that one was "born" homosexual. Again and again that conviction is stated. I make no judgment on the facts: research has yet to determine the controversy. I remark only on the wish of many of us who are gay that it be determined one way rather than the other. Why one should want to conclude that any trait "couldn't be helped" I leave it to others to speculate, myself suspecting that it has something to do with defensiveness. Medical science has begun to find "evidence" of sexual predetermination. Distrust it this time, as you should have done last time.

Justifying his admirably non-celebrity-oriented selection, Eric Marcus quotes Lytton Strachey:

> It is not by the direct method of scrupulous narration that the explorer of the past can hope to depict that singular epoch. If he is wise, he will adopt a subtler strategy. He will attack his subject in unexpected places. . . . He will shoot a sudden, revealing searchlight into obscure recesses. . . . He will row out over that great ocean of material, and lower down into it, here and there, a little bucket, which will bring up to the light of day some characteristic specimen, from those far depths, to be examined with a careful curiosity.

In this, Mr. Marcus has succeeded. Both in its field and among a wider audience this book will prove compulsive reading.

As will Neil Miller's impressive *Out in the World*. This is not a homosexual guide to foreign holidays, but a dipping down of that same little bucket into scenes of homosexual life from countries all over the world.

Miller is a journalist and he knows how to write: coolly, sometimes skeptically, often humorously, with an eye always to the salient. His description of the blank incomprehension he met in Egypt when he tried to suggest there was such a thing as "a gay man," to men for whom sodomizing each other was one of the commonplaces of life, lives in the memory. His account of a gay bar in Tokyo in which a customer sat, coat and tie adjusted, while a hospital-ward-style screen was placed around him and remained in place for ten minutes while something involving a call-boy occurred, after which the screen was removed to reveal the same customer, coat and tie still intact . . . that, too, I shall never forget.

There is much that is serious in this book: most notably Miller's clear evidence that "the homosexual"—as a concept, a type, and an identity—is far from self-evident to most non-Christian and non-Jewish peoples; but it is all written up in entertaining and readable prose. "Gay Studies," it seems, is emerging from a dark age of self-pity, self-flagellation, political correctness, and academic turgidity. This can only be applauded. ☐

Latin Holiday

CHRISTOPHER CALDWELL

Castro's Final Hour: The Secret Story behind the Coming Downfall of Communist Cuba, by Andres Oppenheimer (Simon & Schuster, 461 pp., $25)

PULITZER PRIZE–winner Andres Oppenheimer is the best writer on Latin America at the best newspaper in Latin America: the *Miami Herald*. Through contacts in Cuba, he was able to spend six months of the past two years there, without trading objectivity for access. He was followed by secret police only twice, and the officials he interviewed were aware that he "was not a fellow-traveler, and never pretended to be one." The resulting book is the most complete and objective treatment yet of Cuban society in collapse. It is not a timetable for Castro's fall, but an acknowledgment that the Cuban revolution is all over but the shouting.

That the five hundred Cubans Oppenheimer interviewed are ruthlessly oppressed and impoverished is nothing new. But once the Soviets announced they would take payment for exports only in dollars, Cuba was cut off from Eastern-bloc goods; the invasion of Panama deprived it of its only means of circumventing the U.S. trade embargo. Cubans were suddenly left without beer, cooking oil, fish, cereal, or butter. Clothing factories shut

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Mr. Caldwell is assistant managing editor of The American Spectator.

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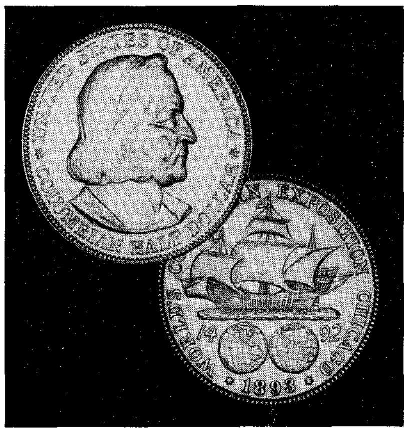

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down for lack of zippers; ketchup could not be exported for lack of jars.

Under Castro's "special period in time of peace," Cubans now work by candlelight one day a week and plow their fields with oxen. Women attract flies because, lacking shampoo, they wash their hair with egg yolk and honey. Pizzerias chain their utensils to the tables. A third of the workforce hold "non-productive" jobs, and Oppenheimer describes their ludicrous lives: "Nelson" is a musician for the Havana Psychiatric Hospital Symphony Orchestra. Angel Delgado, the Andres Serrano of Cuba, was sentenced to six months in prison for dumping (quite literally) on the party organ *Granma* during an art show called "Sculpted Object." Nitza Villapol, the Julia Child of Cuba, must now adjust her recipes to the food supply, with recipes for potato salad, mashed potatoes, and potato jam.

While the masses face their privations with Schweikian gallows humor, party higher-ups are paralyzed by fear. When Oppenheimer told Culture Minister Armando Hart that artists had described him as open-minded, Hart screamed, "They told you that? Who told you that? That's crazy! I don't consider myself tolerant at all! I'm more radical and revolutionary than anybody!"

Much of the fear among Cuba's ruling classes comes from the 1989 execution of the country's most decorated war hero, General Arnaldo Ochoa Sánchez, along with master spy "Tony" de la Guardia and two others, for drug trafficking. Or, more accurately, *unauthorized* drug trafficking, for the Castro government has long accepted kickbacks from Colombian dealers for use of Cuban airspace. De la Guardia, who had set up dozens of shell companies abroad for Castro, foolishly allowed Cuban exile Reinaldo Ruiz to carry cocaine *through* Cuba. It wasn't drug dealing per se that Castro objected to, but the fact that the drug enterprise had become so vulnerable to surveillance. Ruiz's ring was penetrated by U.S. Customs, and de la Guardia was implicated. Drug money could fund a conspiracy, and Ochoa seemed a likely candidate to lead one. He was on the closest of terms with Castro, among the few who could address him using the familiar *tu*; but they had fallen out, and Ochoa had been heard to criticize him in private.

Still, what Ochoa was convicted of was something everybody did. Because Cuba's wars were so drastically underfunded, its generals became blackmarketeers; the practice was necessary to avoid being charged with neglecting the troops. What makes the Ochoa trial, in Oppenheimer's mind, the most important event since the revolution is not that it reflected Castro's insecurity, but that it abrogated the informal rules by which Cubans kept starvation at bay in a society in which everything was illegal.

Instability at home did not compromise Castro's adventurism in Nicaragua and Panama, which Oppenheimer shows to have been far more wide-ranging than was previously suspected. Although Castro hated and distrusted Noriega, he sent eighty thousand weapons to Panama two months before Noriega's February 1988 drug indictment. He set up an alternative intelligence service to pinpoint CIA agents who could be taken hostage in the event of an invasion. (However, he refused to give Noriega SA-7 anti-aircraft missiles, fearing Noriega would shoot down a civilian airliner.) But Oppenheimer's most astonishing revelation is that, in the wake of the Grenada invasion, Castro drew up a plan to "regionalize" the Nicaraguan war if the U.S. committed troops. Under the plan, Cuban forces in Nicaragua would have invaded southern Honduras; the Sandinista army would have crossed into El Salvador, and joined with the FMLN guerrillas to march on San Salvador; and the Sandinista air force would have bombed defenseless Costa Rica.

It is an irony that the most ideologically rigid of the Communist states is saddled with not only the inefficiencies of Communism but also the problems the Western Left associates with capitalism: zero production *and* pollution; a repressive government attitude toward sex *and* an AIDS problem; a public discourse full of feminist jargon *and* a society where the only women who have any money are the *jineteras*, or hard-currency prostitutes. It appears that Cuba in its death throes will resemble Rumania: not only will its revolution come to an end with machine-gun fire in the streets, but when the guns go silent, well-wishers will discover a society so brutalized and corrupt it will take generations to repair. ☐

Quayle Joke #3369571

JOSEPH SOBRAN

DO YOU LIKE Dan Quayle jokes? You do? Well, how about a *240-page* Dan Quayle joke?

The unabridged title of Joe Queenan's book is *Imperial Caddy: The Rise of Dan Quayle in America and the Decline and Fall of Practically Everything Else*. The archness of the subtitle is fair warning of the grade of humor the reader is in for. The promotional material says that "readers who love the pointed political satire of P. J. O'Rourke will throw their support behind this inaugural effort by one of our wisest and wittiest commentators." The book is classified Current Affairs/Humor.

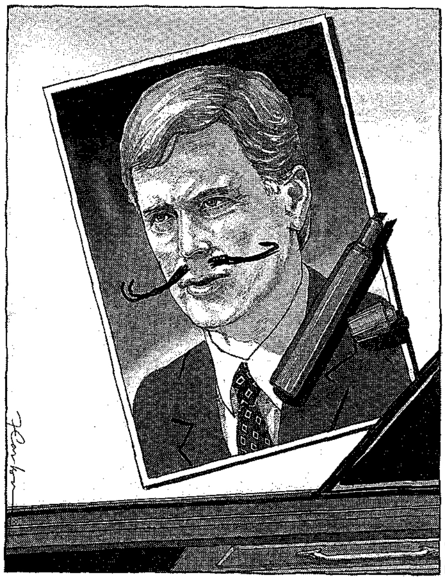
Imperial Caddy, by Joe Queenan (Hyperion, 240 pp., $22.95)

The worst effect of Dan Quayle's Vice Presidency has been the Quayle joke. It's not just that the subject has already been beaten to death, and the corpse pummeled to pulp, by two generations of *Tonight Show* hosts, plus what seems like two generations of David Letterman. I mean that millions of humor-challenged Americans have been encouraged to think that any crack about the current Vice President is *automatically* funny.

I submit that skewering Dan Quayle no longer rates credit for path-breaking iconoclasm. By now he has been singled out a little excessively. Lots of other grandees in Washington would seem highly eligible for witty puncturing, but have been spared. Thurgood Marshall comes to mind. After all, Vice Presidents are *supposed* to be knuckleheads, but we expect Supreme Court justices to be at least fairly brainy, which Mr. Justice Marshall was, shall we say, not. We may note that the political wags who have been spearing the Vice President for four years passed up the chance to have fun at the Justice's expense for a quarter of a century.

In Washington, even humor is subject to the principle of affirmative action, and Mr. Queenan tacitly respects the current guidelines. Somehow you *know* there are certain topics he won't crack wise about; this is not a book that will arouse the sirens of the Joke Police. After all, the author has chosen the safest target in town: a dumb white Republican Vice President who is the statutory laughing-stock of every standup comic. The chain bookstores have Quayle joke books at the counter.

The question naturally arises: Do we need Quayle jokes at all? Aren't they, on their own premise, almost superfluous? It's risky to try to top a man who loses a battle of wits with a sixth-grader over the spelling of "potato" and who tells a United Negro College Fund luncheon, "And you take the UNCF model [motto?] that what a waste it is to lose one's mind, or not to have a mind is being very wasteful. How true that is." The Vice President himself is a very tough act to follow, and Mr. Queenan isn't up to it.


Fred Carlson

Knowing the Quayle joke has already been overworked, Mr. Queenan wisely avoids sneering, outright cruelty and merely cheap humor. If only he had taken the next step and avoided humor. He has the kind of wit that would be hilarious if it took you by surprise now and then, but not when it's announced in advance by cannons and trumpets, and has to keep performing like a circus dog. His book is a bundle of digressions on Quayle-related topics that defies sum-

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Mr. Sobran, NR's Critic-at-Large, writes a twice-a-week column for Universal Press Syndicate.

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mary, except that it endeavors, doggedly, to amuse.

At his best, Queenan can observe that Lee Atwater "demonstrated that a passion for rock 'n' roll was not philosophically incompatible with a burning desire to see the capital-gains tax reduced from 28 per cent to 15 per cent." That's funny because it's exactly right. He has condensed a perception into a good line. Then again, when he bashes the Catholic Church of his youth, he lists, among the "mumbo-jumbo" he was taught, the novel doctrine "that both Jesus Christ and his mother Mary were born to virgins." Unfortunately, this is the best laugh in the book. Just imagine the mirth that would ensue if Dan Quayle had said the Catholic Church teaches such a thing.

Mr. Quayle is not so much stupid as incredibly gauche. He lacks the most basic ritual competence in the highly verbal pop-intellectual politics of our time. And for a baby-boomer, he commits the sin of being unhip. You don't have to know what the Immaculate Conception is (even if you're Irish), but you'd better know your rock stars. The first boomer VP is completely *out of it*—"culturally marooned," as Mr. Queenan judges him, noting that it would be inadvisable for a speechwriter to put "quotes from Søren Kierkegaard" in his mouth.

Moreover, Mr. Quayle embarrasses Washington, where the ruling class is expected to display poise and style, to keep the masses out there feeling the country is in the hands of the best people. He is a walking challenge to faith in the system. Clark Clifford is the very model of the urbane Washington insider, and his indictment sent a shock wave through the anointed that you had to be in the capital to feel. But there won't be Clark Clifford joke books at the checkout counters. He may commit a discreet crime, but never a faux pas. He is presumably a good speller.

Americans—and Mr. Queenan is no exception—believe in Great Presidents, who constitute the supposed vindication of democracy, and they avenge their foiled faith on their Vice Presidents. Dan Quayle is simply incapable of keeping up proper appearances. I suspect that those who affect terror at the idea of his becoming President are really afraid the electorate would discover how little difference it would make, one way or another.

Personally, I can't get too excited. My own view is that the dumber our rulers are, the safer the rest of us are. ☐

FILM

Arkansas Travelers

JOHN SIMON

AMERICAN movies today are aimed at three kinds of audiences: kids, cokeheads, and those seeking any kind of loud and vulgar stimulation with which to fill up a gaping inner emptiness for a couple of hours. Under those circumstances, story is the first thing that goes out the window. Cheap laughs, cheap thrills, bloated production values will do quite nicely.

One False Move is a modest B picture, but, wonder of wonders, it tells a real story. A trio of drug addicts *cum* criminals—the black sociopath, Pluto, the psychopathic redneck, Ray, and his mulatto girlfriend, Fantasia—"cold-bloodedly rip off a large stash of cocaine and cash from two families, killing six people." I take David Denby's word for it because the film begins so confusingly that it is hard to tell how many houses, families, victims are involved. But if Carl Franklin, the black actor turned director, and his white screenwriters (Billy Bob Thornton, who plays Ray, and Tom Epperson) are not good at that kind of clarity, they are adept at creating suspense and at conveying brutality and horror in a way that reaches the precise last limit of the bearable.

The police in Los Angeles, where the murders took place, figure out that the trio is headed for tiny Star City, Arkansas, where both Ray and Fantasia (whose real name is Lila) have family; Pluto is from Chicago, and met Ray in San Quentin. Star City is a good place to hide out. First, however, the trio, unbeknown to the police, heads for Houston, to sell the dope to a dealer there, but things go bloodily wrong. As they also do elsewhere along the highway, where a state trooper grown suspicious stops them. Corpses mark the trio's path.

In Star City, another trio awaits them: a pair of detectives dispatched from L.A., one white and one black, and the local sheriff, the good ole boy Dale "Hurricane" Dixon. Married, the father of a small daughter, and bored with small-town police work, Dale dreams of joining the L.A. Police Department. His delusion fills the Angelenos with sarcastic merriment, which Dale, unfortunately, overhears. Now he must prove himself to these sneering cops whom he and his wife entertained so hospitably. And he does so—in the most disastrous fashion.

If the near-parallel configuration of the two multiracial trios is supposed to have some deeper meaning, it escapes me. But each trio is skillfully drawn. Pluto is a buttoned-up, respectable-businessman type, a cool strategist; he just happens to enjoy carving up people with his handy knife. Ray is a tattooed, pony-tailed, trigger-happy slob, yet he has something that appeals to the sexy, inscrutable Fantasia, whose attitude toward men, sex, and crime we must gradually piece together. Similarly, we have to figure out why someone as smart as Pluto teams up with someone like Ray. Is this cat using this ape to remove hot chestnuts from the fire for him? Or is it the fun of bossing a white man around? On the other hand, in the motel rooms they share on their flight, Pluto must put up with the greedy lovemaking of Ray and Fantasia.

Again, the trio of lawmen is an interesting study in contrasts, although the white and the black detective are alike in their scorn for Dale, who, poor soul, began as their devoted fan. But such admiration is hard to take. So the potential for some sort of eruption is always suspensefully present.

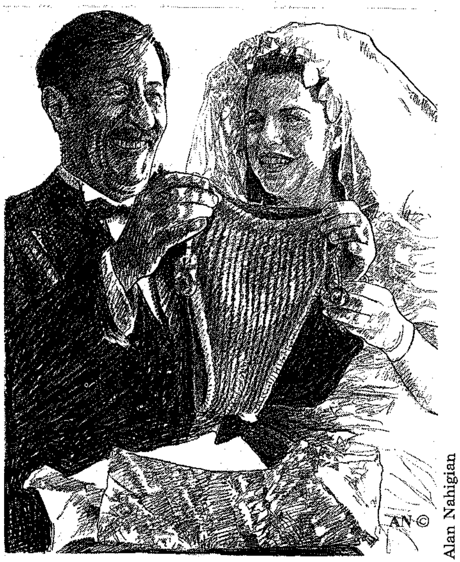
Especially right is the atmosphere—the conversations and silences these juxtapositions generate. And finally, albeit briefly, racial undertones do come to the fore as Dale, a/k/a Hurricane, and Lila, a/k/a Fantasia, meet up as something, it turns out, more than strangers. It is one of the strengths of the film that matters of black and white are *not* treated in a black-and-white way. One of the funniest, and also wisest, scenes is the meal at the Dixons' during which the sheriff, forgetting the blackness of one of the detectives, casually refers to "niggers." Here as elsewhere there is awareness of bonds between people that defy the divisiveness of language, mores, and social structure.

Ultimately, though, it is acting and directing that make the difference here. As noted, Franklin's direction botches the topography of the early scenes. Later, it goes in sporadically for arty camera angles. In the death of the state trooper, what really happens remains hidden from view—a deliberate effect, perhaps, but ill-advised, I think. And in the climactic finale there is an impassive black shanty-dweller somewhere at the periphery of the action; he is playing his mouth organ, and the camera periodically cuts to him as a quasi-symbolic refrain, and to increase the suspense by delaying the main action. It is both a cliché and artsy-fartsy. But all this is more than made up for by pacing that knows the value of leisureliness in the right places and the worth of leaving certain things to the imagination.

Moreover, humor is put to excellent use in unlikely situations, as when everything depends on a child's erratic responses. Humor, too, mitigates the foolishness of the sheriff, who, for a film noir, is an unusually complex character. Though childish and even obtuse, he is allowed to transcend his limitations and achieve something damn near tragic stature. Similar claims can be entertained for Fantasia. And then there is that admirable lightness of touch, as in the fleeting but highly idiosyncratic caress Dale bestows on his sleeping wife.

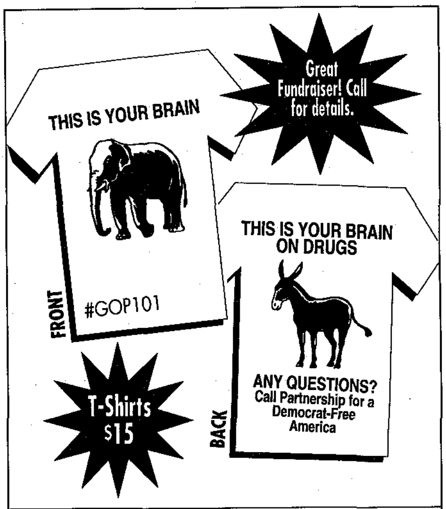
There is very fine ensemble acting from Bill Paxton, a fully rounded Dale; Michael Beach, a coiled cobra of a Pluto; Billy Bob Thornton, an all too humanly inhuman Ray; Jim Meltzer and Earl Billings, the megalopolitan detectives stymied by rusticity; and any number of others. It may be unfortunate that Dale's wife is somewhat patronized by the script and casting; though here, too, there are redeeming touches. And best of all, perhaps, is the Fantasia of Cynda Williams, a performance that brings thoroughgoing emotional confusion into sharp and touching focus. Only near the end, when she is given a rather too literary and philosophical speech, is there a touch of preciosity and propaganda that even Miss Williams cannot completely salvage. But she and Bill Paxton, in their crucial encounter, elevate a coolly efficient genre picture into something higher, more human.

■ In ***The Hairdresser's Husband***, a film by Patrice Leconte, Antoine, the hero, is saddled as an adolescent with a woolly-scratchy bathing suit that makes him so hostile to any sort of hirsuteness as to turn even the ministrations of a barber into welcome relief. As it happens, an overweight but sexy woman barber tends to his tonsorial needs. The opulence of her cleavage, the sensuality of her manual attentions, the intoxication of her *odor di femmina* backed up by the olfactory delights of various shampoos and skin bracers, combine erotically to enrapture and enslave Antoine for life.



Alan Nahigian

We bid farewell to his earlier self as he peeks into the barbershop at the dead body of his ministering angel who has committed suicide. Why? This unexplained element, intended as ominous foreshadowing, introduces the first of many touches of arbitrary, manipulative dishonesty that litter an otherwise absorbing film. We skip to some forty years later when the middle-aged Antoine discovers Mathilde, owner and sole operator of a tiny barbershop. Entranced by her youth and comeliness, he enters for a haircut; he departs even more enchanted. As soon as his hair attains minimum cuttability, he returns for a repeat performance, and, in a trance, mumbles a marriage proposal. After very little hesitation, Mathilde accepts him.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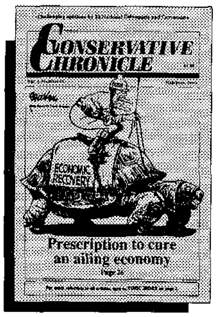

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Nothing is properly conveyed. How has Antoine spent the intervening decades? Has he been able to gratify his special needs? What sort of sexual life has he had? How does he make a living? He seems affluent, but that is all we get. Antoine and Mathilde marry, under comic circumstances, right there in the barbershop, and commence to pursue their *folie à deux*. But why does this delicious young woman, whose admittedly limited horizon does not extend beyond her work and absorption in fan magazines, yield to this, shall we say, capillary attraction? Is there also normal sex (as is implied) with this strange, much older person? (The excellent Jean Rochefort is visibly even older than the part requires.) Too much is shrouded in unsuggestive darkness.

Henceforth, when not cutting Antoine's hair, Mathilde tends to her customers while Antoine sits opposite and ecstatically watches. How do they cope with the daily necessities of life? Despite the existence of an upstairs bedroom, what lovemaking we see takes place in the glass-fronted, uncurtained barbershop. Are they also exhibitionists? One of Antoine's other passions is to improvise, to tapes of Arab music, belly dances with which he entertains Mathilde, but in which she almost never joins. Silly as this is, is it meant to suggest that all aberrations are really only harmless eccentricities? Does the mostly sublimated sex *à trois* (implicitly including the client in the chair) induce upstairs sex *à deux*, or replace and obviate it?

The customers are a bizarre lot, providing strained, essentially unfunny, humor, but they are hardly company. The only friend the couple seems to have is the sweet, old homosexual former owner of the barbershop, now languishing in an old folks' home. The spouses are completely absorbed in each other, though we never see them in a nontonsorial or nonsexual situation. Yet, apparently, many happy, fulfilling years go by, even if neither partner shows any sign of growing older. Oh, yes: Antoine takes up smoking, and one night, when they are out of liquor, the spouses get riotously drunk on a concoction of many-colored hair tonics and colognes, which ought to leave them sick to their stomachs. But their cloistered euphoria thrives unabated save for one fleeting quarrel about some trivial fact Mathilde reports from her movie magazines.

There are passing references to aging, that is all. Then, on a stormy night, the two have sex on the barbershop floor, and Mathilde lunges out into the torrential rain to get yogurt, she says, for tomorrow's breakfast. The first seemingly normal, mundane thing; but in that rain and storm in the middle of the night? Of course not; she has gone to drown herself. In a farewell letter, she explains that she wanted to die before age and boredom overtook their perfect bliss. And Antoine just goes on sitting in his usual seat, talking to her, and expecting her back any moment. Has he been stark, raving mad all along? And who now gets the yogurt for his breakfast?

Both Anna Galiena and Jean Rochefort are splendid, and their wordless expressions and glances almost make the film worth one's while. Otherwise, though, Patrice Leconte shows us how a movie can stylize itself out of existence. □

DELECTATIONS

Oriental Ecstasy

TAKI

EVEN as late as 1966, at age 29, I was still entertaining hopes of making the Greek Olympic team in boxing for the upcoming Mexico City games of 1968. That summer, as always, I had moved my bags and skipping ropes to the South of France. Although the Côte d'Azur is hardly the best place to build up muscles, rhythm, and aggression, it had other advantages, especially for randy pugilists looking for action. Needless to say, I never made Mexico, but not for the obvious reasons.

One night that summer I happened to be dining in Cannes, across from the Palais de Sport, which in winter doubles as a casino. I saw some Japanese names advertised and a picture of a man breaking a large brick with his bare hands. I immediately bought a ticket and left my protesting first wife to go on to a party on her own.

I have never regretted missing that party, or Mexico City. I was hooked that first night in Cannes, and once I started I have yet to miss a day of practice—except when out with injuries—and that includes days of Karamazovian hangovers.

To the novice, karate can appear rigid and formalized. Even complicated and impractical. This is because ritual and tradition play a big part in it. It was originally an empty-handed art of self-defense in which arms and legs were systematically trained to be used as weapons. The essence of the martial art was *kime*, or focus of strength. This is a sudden explosion of technique, coupled with speed, producing power. The first purpose of the art was the nurturing of a sublime spirit, the spirit of humility through strength. But with the passing of the samurai, or bushido, philosophy, and the coming of materialism, karate changed. The American occupation forces brought the martial arts back to the States and, being Americans, turned them into sports. There had to be competitions within certain rules; thus a new sport was created, half boxing, half fencing with one's legs. What this did, however, was to remove from karate its essence, which was the fact that no one could become physically proficient without absorbing the psychological benefits. In sport karate, a very quick and tall man can score imaginary points and win, whereas in traditional *budo*, if there was a clash, it was to the finish. Strength of character was all-important, as it always is in matters of life and death. In sport karate, strength of character comes second best, after speed.

Mind you, karate has a built-in safety device; the better one becomes, the less one cares for public recognition and commercial gain, a few Hollywood martial artists being the exception to the rule.

After almost twenty years of sport karate, I have now come full circle. I am back doing what one does when one is beginning as a white belt: training to improve in the martial art, not to win in competition. Ironically, the greatest pleasure in karate is felt when one knows absolutely nothing, as a white belt, and when one knows quite a lot, as a fifth-degree black belt, which I now am. (Some would say it's the same with sex.)

On my first trip to Japan back in 1966, I arrived at a very small and icy *dojo* (gymnasium) in the middle of nowhere, and was told to sweep the floor before the lesson. The black belts looked down at us as if we were scum, and made funny noises of disapproval. Then, with a horrific scream, the *sensei* (teacher) ordered us to line up. Being the newest student, I was the last in line. He began, *"Ichi, ni, san, shi, go, roku, hichi, hachi, ku, ju,"* etc., all the way up to one hundred. We, in the meantime, were doing push-ups. Mr. Enoeda, our sensei, walked around the class carrying a large wooden samurai sword. Whenever he saw someone too tired to continue, he would whack him rather hard with it.

Sensei Enoeda, who is still my teacher, is a traditionalist. He teaches in the classical Japanese manner, which freely translated means teaching in a cruel way, but with a soft heart. When I returned to New York that winter and pursued the art under one of Mr. Enoeda's students, I noticed that classes kept getting smaller and smaller. One time only I showed up. Finally the owner of the *karate dojo*, who was into the art for the money, called the *sensei* in and told him that his lessons were too tough for American students. Apparently *sensei* Miyazaki said, "Ah, velly, velly good, weak students no good." He was fired forthwith, and I followed him back to Europe.

Needless to say, the Japanese were and always will be the nonpareils of karate. This is because of their attention to detail and basics. There are terrific athletes everywhere who have taken up karate but who simply do not look good while executing a kick or a block. It has to do with posture, stance, breathing, and manner. There is a manner of standing as well as of fighting, and the Japanese seem to have it in their bones. Even if they had their eyes slanted, very few Westerners (in fact, I don't know of more than two) could pass as top Japanese *senseis*.

Taki Theodoracopulos, who writes the "High Life" column for The Spectator *in London, is the author of* Nothing to Declare *(Atlantic Monthly Press).*

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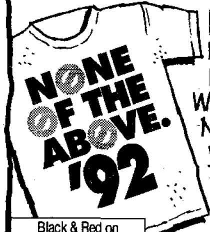

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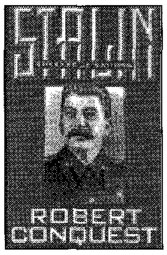

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Given that Westerners think karate is a sport, it is not surprising that they look "light" when performing a *kata*. This is the traditional form that is at times described as a dance, but is in reality a pre-arranged form of movements designed to practice countering multiple opponents. Knowing a *kata* but performing it without power and whip-like speed and varying it with soft blocks is a common mistake. I have seen terrific sport-karate fighters who look dreadful while performing a *kata*. (It is like seeing a ballet dancer trying to keep his balance.)

Now, at age 55, I rely on soft, relaxed blocking techniques against hard attacks. Rather than use those familiar bruising blocking techniques of ninety degrees, I try to divert or deflect my opponent's charges. It's less painful, though I miss the time when after a hard session we would wear our bruises with pride. One thing that I've kept up, however, is the traditional way of bushido, the way of the warrior: respect for the *sensei* and obedience to one's superiors.

Last month, after a cruise around the Greek isles with *NR*'s editor-at-large, I steamed into Athens having spent five days lying on my back doing absolutely nothing. And just as well. Three Japanese *senseis* had flown in for a brutal five-day course. Athens was broiling, but the *senseis* didn't seem to notice. We trained from ten to twelve, and four to six, each day, and by the end even I wanted to cry uncle. But when the final bow was over I felt as well as I ever have; and just as I relaxed and began thinking of ice-cold beer, *sensei* Yahara suddenly started, "*ichi, ni, san, . . .*" Everyone was down doing pushups but *sensei* did not have the heart to smack me as I stood aside. He is, after all, 15 years younger than I. ☐

BOOKS IN BRIEF

Who Prospers? How Cultural Values Shape Economic and Political Success, by Lawrence E. Harrison (Basic, 280 pp., $22)

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(Continues on page 77)

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TRANS-O-GRAM / Kem Putney

1 E	2 B		3 F	4 L	5 E	6 V	7 G	8 J		9 R	10 I	11 D	12 P	13 N	14 A	15 S	16 B		17 Q	18 L	19 H	20 R	21 E	22 K
23 I	24 J	25 N	26 M	27 T	28 Q		29 P	30 c	31 U	32 O		33 D	34 F	35 A	36 K	37 V		38 a	39 Z	40 R	41 P		42 N	43 T
44 C	45 J	46 O	47 E	48 A	49 M		50 Q	51 I	52 G	53 D	54 L	55 C	56 H		57 X	58 K	59 B		60 V	61 F		62 Z	63 H	64 P
65 C	66 G	67 S		68 M	69 R	70 L		71 F	72 D	73 B	74 A		75 c	76 N	77 H		78 E	79 J	80 T		81 I	82 G	83 F	84 L
85 U		86 b	87 A		88 R	89 Q	90 N	91 I		92 C	93 S	94 W	95 G	96 J	97 P	98 X		99 H	100B	101Z	102T		103B	104D
	105L	106V	107S	108U	109H	110F		111b	112O	113K	114A	115P	116L		117T	118V	119Q	120M		121c	122E	123J	124a	125W
	126S	127B		128M	129Y	130I	131N	132W	133R	134P		135b	136O	137E		138J	139A		140K		141G	142I	143C	144N
	145H	146O	147A		148b	149L	150E	151Q		152C	153P	154T		155O	156I	157G	158C	159V	160M	161c	162U	163R	164X	
165G	166T	167K		168F		169B	170D	171K	172L	173S		174H	175O	176B	177F	178V	179c	180E		181X	182H	183L		184Y
185D	186T		187D	188A	189I	190K		191G	192B	193V	194C	195F	196A	197N	198R		199G	200b	201Z	202E	203Y		204a	
205G	206S	207J	208a	209C		210U	211P	212B	213L	214b	215H		216O	217Q	218M	219D	220N		221c	222E	223L	224Z		225H
226B	227U	228R	229X		230W	231K	232P		233M	234W	235T		236F	237U	238Q		239S	240J	242I					

DEFINITIONS

A.	D.C. landmark (2 words)	147 188 14 74 196 114 87 35 139 48
B.	Refusing to budge	226 176 59 192 100 127 212 103 16 2 73 169
C.	Ridiculous	143 158 44 194 92 152 65 209 55
D.	Yard implement	53 170 187 104 11 185 33 72 219
E.	Habitual	222 202 5 180 47 122 21 150 78 137
F.	Within budget	168 61 3 34 195 110 236 71 83 177
G.	Vermont comestible (2 words)	199 66 191 205 52 95 141 7 82 157
H.	Campfire comestibles	215 182 109 99 1 225 56 145 77 63 174 19
I.	"Metallic" snake	23 189 156 91 130 81 51 10 142 241
J.	Reunions	207 240 24 79 96 123 138 165 45 8
K.	Threat	58 36 167 22 190 140 113 231 171
L.	Protested	116 84 172 105 183 54 70 149 4 213 18 223
M.	One of the year's 12	120 26 128 218 233 68 160 49
N.	Broadcast	131 144 76 220 13 25 197 90 42
O.	The Bard's bride	136 146 32 46 155 216 112 175
P.	Salary source	232 64 41 97 12 211 134 115 153 29
Q.	Cheeses	50 217 89 238 151 119 17 28
R.	The *Hindenburg*'s last stop	163 133 88 40 228 69 9 198 20
S.	Name	126 239 206 15 67 93 107 173
T.	Paris landmark (2 words)	27 166 117 186 102 154 43 235 80
U.	Onetime Democratic hopeful	162 210 108 237 227 31 85
V.	Religiously correct	60 159 178 118 193 37 6 106
W.	Certain Greek provinces	132 234 94 125 230
X.	Boardwalk comestible (var.)	229 57 181 98 164
Y.	Doubts	129 184 203
Z.	Sidewalk eateries	62 201 101 39 224
a.	Polynesian shrub	38 208 124 204
b.	Waterfowl	200 148 111 214 86 135
c.	____ a lot!	179 30 75 161 221 121

DIRECTIONS

The object of TRANS-O-GRAM is to fill in the puzzle diagram by guessing the words from their definitions, and transferring each letter of the guessed word to the correspondingly numbered square in the diagram. When the diagram is filled in it will spell out a quotation from some published work (reading normally from left to right, black boxes indicating the ends of words); also, when the words have all been filled in above, their initial letters will spell out the author and title of the quoted work. The acrostic feature, and the relative word-lengths in the diagram, will assist in the solution. Spelling and definitions on the authority of *Webster's New International Dictionary*, Second Edition.

Solution to Last Issue's Trans-O-Gram. ROBERT BORK—*The Abortion Thing*: "The inescapable fact is that the Constitution contains not one word that can be tortured into the slightest relevance to abortion, one way or the other. That is a subject left, like most subjects, to democratic processes and the moral choice of the public."

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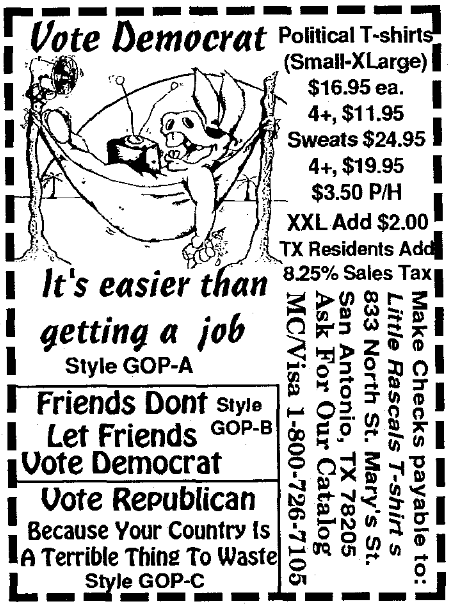
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BOOK BRIEFS

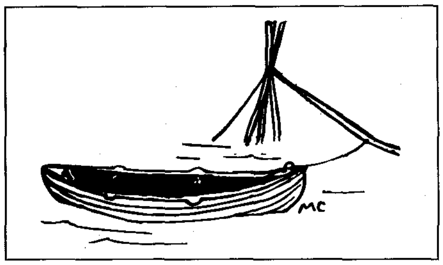
(Continued from page 74)

quate natural resources have long been blamed for international poverty, but Harrison finds these and other explanations lacking. Instead, after studying a range of nations, from Argentina to China to Spain, he concludes that a positive culture—"a coherent system of values, attitudes, and institutions that influence individual and social behavior"—is critical for success. Harrison bluntly declares that some systems "are progress-prone," while others are not. What makes *Who Prospers?* especially provocative is that Harrison looks at American culture, too, and finds reasons for concern. Many of his diagnoses ring true, though his praise for George Bush and Michael Dukakis as cultural leaders seems curious. And while his support for expansive new government programs is clearly misguided, Harrison's call for a "cultural renaissance" deserves serious attention as part of the ongoing debate over what are called, in morally neutral language, "values"—but which, if they are valuable at all, are more accurately described as "virtues." As this book demonstrates.

—DOUG BANDOW

Queen Victoria: A Portrait, by Giles St. Aubyn (Atheneum, 669 pp., $29.95)

A USEFUL contribution of Giles St. Aubyn's portrait is that it reminds us how German the royals of England are. Queen Victoria's family was almost entirely German, she was raised among Germans living in England, and she married a German. Luckily, all spoke English, or things might have come to a pretty pass. The Queen was, of course, a resolute person of strong opinions, who developed the habit of underlining many of the words in her diary for extra force. She also benefited from great common sense. Mr. St. Aubyn reminds us that throughout "her reign, 'the stupidest man's opinion' carried more weight with her 'than the cleverest woman's.' " As the woman who gave her name to the age in which she lived, she was rather remarkable; and both she and her age have been remarkably misunderstood. The next time someone smirks to you about repressive, backward Victorianism, ask him how he can condescend to a period brimming with eccentric geniuses who mapped, conquered, and Christianized the globe, while the statesmen at home improved the masses with reform and in their spare time wrote theological tracts, political treatises, and novels, and made witty remarks at parties while the beautiful people waltzed instead of discoing, and the populace listened to Gilbert and Sullivan instead of to rap. Man's spiritual journey since the death of the Widow of Windsor has been one long diminuendo on a kazoo.



—H. W. CROCKER

ON THE RIGHT / Wm. F. Buckley Jr.

Point-Blank Punishment

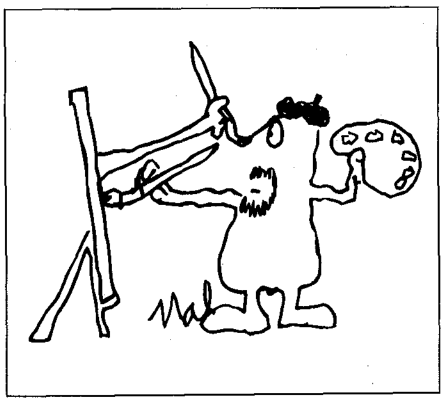
NEW YORK, AUGUST 3

Last week I (and untold hundreds of others) received a letter from a small committee organized to raise funds for the defense of Caspar Weinberger against charges leveled in connection with Iran–Contra. This brings home the meaning of the atrocity calmly proceeding under the eyes of an executive that has the power to call the caper to an end; a judiciary that remains surprisingly uninterested in the civil-rights aspect of the Independent Counsel; and a legislature whose manifest interest is political: the Congress of the United States can't really believe that the former Secretary of Defense, who *opposed* the Poindexter–North operation to help the Contras, should be made to suffer so pointlessly.

It is sobering to consider that Mr. Weinberger, a successful businessman during those years he did not devote to government service, should actually feel strapped at the prospect of paying the legal costs of his own defense. The fortunate majority who have never faced government prosecutors cannot imagine the quandaries. We are not talking now about Mafia godfathers, but about public servants who wake up to discover that they are useful to special investigators bound on political missions. That the events of 1985 bearing on aid to the Contras are in any sense important to the ethics of government in 1992 is a proposition difficult to defend unless you are willing to say that you are guided by the sole imperative of embarrassing the Bush and the Reagan Administrations. Indeed it is said by the *Washington Post* that precisely this is the dream-achievement of the Walsh team, to hand down an indictment of George Bush as co-conspirator. And right now we see Clair E. George impaled by his former trusted associate Alan Fiers, against whom the instruments of torture at the disposal of Walsh and his young Torquemada, Craig Gillen, proved successful.

Coming up in November is a grisly tale by Elliott Abrams, sometime Assistant Secretary of State for Latin American Affairs. He describes in detail in his book, *Undue Process*, the modus operandi of the Walsh group. Their goal is to incriminate someone at the highest possible level of government. Their weapons are: the threat of a jail sentence if you lose the trial, and if you win it, the threat of impoverishment from the cost of your own defense. There are accessory weapons, for instance refusing to tell you or your attorney exactly what evidence they have against you. It is always possible that they have "persuaded" a subordinate to implicate you in a conspiracy which you can't prove you weren't involved in. And forget the business about the presumption of innocence: If the jury believes the accuser, you can go to jail.

The gravamen of Mr. Walsh's terrorist legal squad is that whereas Secretary Weinberger told a congressional committee that he had no knowledge of a particular operation, in fact his journal in his own words reveals that he was made aware of that operation. What Mr. Weinberger's line of defense will be isn't known. It is entirely possible that he felt that to reveal what he had been told in confidence, about an operation with which he was not in sympathy, would be an act of betrayal. Or it might have slipped his memory; or he might have reasoned that the formulation of the question did not demand a comprehensive answer. "Is there foreign financing of aid to the Contras?" can elicit the answer, "No"—even if you are aware that foreign aid to the Contras is scheduled to come in next week. It is only recently that the investigators have relied on a law that can be interpreted as requiring you to vouchsafe that, "on the other hand, Bahrain promises to send $10 million next month."



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On Sunday, Candidate Clinton suggested twittingly that no political advertisements should be shown unless the sponsor of the ad submitted to a truth test. One wonders what a truth test would reveal about the motives of Lawrence Walsh and his congressional sponsors. Do they really believe that such as Caspar Weinberger were venal public servants? . . . They will not answer that question, for obvious reasons. But George Bush should now do what Ronald Reagan failed to do, which is to cancel the whole show on the grounds of its manifest transmogrification—from judicial inquiry to political persecution. Send your check to the Weinberger Legal Defense Trust Fund at 2101 Wilson Blvd., Suite 1001, Arlington, Va. 22201. And don't fail to read *Undue Process* when published in November. ☐

Pass the Brady Bill

NEW YORK, JULY 27

President Bush has said that he will not sign the gun-control law (the "Brady Bill") because it is a part of a crime package that wanders here and there over disputatious territory. And the gun-control people are pointing to him and saying: See? See George Bush? He refuses to sign into law even a moderate bill drafted by Mr. Reagan's press secretary! Mr. Brady was permanently paralyzed in 1981 by the punk who was in love with an actress at Yale and decided to objectify his melancholy by assassinating the President of the United States.

Now, the National Rifle Association types are of course mobilized against the Brady Bill. Their arguments are of the slippery-slope variety: Give the gun-control people an inch and pretty soon you will find a brawny FBI type coming in and confiscating your BB gun.

There is much to be said for the slippery-slope argument, and of course it is the great favorite of liberal fanatics who believe that if you deny Mapplethorpe, the next thing you know, Venus de Milo will be draped. It is also a favorite in their drive to secularize society, so that if a rabbi at a commencement address invokes the blessings of God—the next thing you know, we will have an Established Church in America. And of course they fought in the Pennsylvania abortion case, insisting that no bar of any kind could be placed even in front of a 13-

year-old who wants an abortion and presumably tells the abortionist to send the bill to Senator Wofford.

Conservatives also fear the slippery slope. When the Sixteenth Amendment was being argued, one senator proposed that a limit of 10 per cent be placed on the income tax. It was shouted down on the grounds that the mere mention of 10 per cent would suggest to future Congresses that a tax that high was thinkable! Not long after, when we got into the First World War, Congress introduced a tax of 77 per cent.

But the fear of the slippery slope is taken to fanatical lengths. One might as well argue that the government has no right to set up speed limits, because if it has that authority, the next thing we know the speed limit will be five miles per hour. These arguments aren't plausibly used against the Brady Bill, which says simply that seven days must go by between the time somebody applies to purchase a handgun, and the time that handgun is given to him. During those seven days, records are supposed to be examined to check whether the applicant is a convicted felon, a drug addict, a fugitive, or insane. It is hard to know how an imposition of that nature seriously deprives us of the right guaranteed under the Second Amendment.

It reads, remember, "A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed." The first of the two clauses is regularly recited by the gun-control people (their point: the guarantee of guns is only for the National Guard), the second is the favorite point of the National Rifle Association. The latter remind us that the Second Amendment derived from Provision #7 of the Anti-Federalists' demand for a Bill of Rights, which said that "the people have a right to bear arms for the defense of themselves and their own state or the United States, or for the purpose of killing game; and no law shall be passed for disarming the people or any of them unless for crimes committed, or real danger of public injury from individuals."

In *United States* v. *Miller* (1939), the Supreme Court ruled the Federal Government could constitutionally outlaw sawed-off shotguns. The reasoning, actually, was vulnerable—because the Court's pronouncement that sawed-off shotguns manifestly had no "reasonable relationship to the reservation or efficiency of a well-regulated militia" was undermined by the use of such weapons in trench warfare during World War II and in Vietnam. The gun lobby looks at *Miller* as a net victory insofar as the Court did not rule against *Miller* on the simple ground that he was not a state militia. If he could argue for the right to buy a gun, then the Second Amendment stretches to individuals, giving the second of the two clauses priority.

It is time that conservatives gave up fanatical interpretations of the Second Amendment. The Brady Bill probably won't accomplish a whole lot (there are 55 million handguns floating about, and the Hinckleys of the future and the Sirhan Sirhans aren't going to find it any harder to get hold of one than they would to buy an ounce of illegal coke)—but it would indicate that we recognize crime as rampant. ☐

They Know Not What They Do

NEW YORK, JULY 24

Says Larry King to the Vice President: "If the decision was abortion you'd support her?"

Says Dan Quayle to Larry King: "I'd support my daughter. I would hope that she wouldn't make that decision."

The whoops from the Democratic Choicers went up coast to coast. Governor Mario Cuomo had two shots at it. The first, "You can't make a distinction between your own blood and everybody else's daughter." The second, a hour or two later, "The Vice President changed his position and joined with the majority of Americans who believe our law should see to it that no woman is forced to have an abortion and that every woman should have the right to have one if that is her choice."

The unexamined questions here are what grip the attention of the curious. The first is: What else would one expect to hear from a devoted father? "Well, Larry, if my daughter Corinne decided to get an abortion, I would say to her: Corinne, leave this house, and never darken our door again!" Does it really commit you to Choice to say that you would forgive your daughter, deeply though you disapprove of abortions?

And then the question that escapes universal notice. What about the fact that Corinne got pregnant in the first place? In Christian theology, fornication is a sin, as well as abortion. Larry King never thought to ask Father Dan, "Would you support your daughter if you found that she was sleeping around?" What answer would Mr. Quayle be expected to give? Would it follow from his saying that he disapproved of her sleeping around, that he wished more states had laws against fornication?

And doesn't Governor Cuomo speak of abortion as he might speak of exercising the right to vote, or to free speech? When Mr. Quayle said that he would "support" his daughter even if she decided on a course of action he deemed tragically immoral, he was at least recording his opposition to the exercise of that right given to us by *Roe* v. *Wade*. We are beckoned, by political opportunists, to blur the distinction between declining to illegalize, and approving the practice of. To legalize the use of tobacco isn't to approve of cigarette smoking. And the entire question of abortion has to do with whether the gravity of the offense—the killing of an unborn child—is such that it should be prohibited by law—like discriminating against the handicapped; or if not that, scorned by the morally alert.

And, finally, Governor Cuomo is unworldly if he believes that human beings should be prepared to generalize on the basis of their behavior toward their own children. Immanuel Kant's imperative was: Do nothing which you would be unwilling to see made into universal law. Kant was distinguishing between correct and incorrect behavior. If your daughter killed her lover in a quarrel it is entirely possible that you would continue to love her, indeed to "support" her. But you would not sponsor a universal law permitting women to shoot their lovers.

But Dan Quayle is the favorite, the obsessive pincushion of the Democrats, and nothing since the election of Harry Truman in 1948 has given them such fierce pleasure as Quayle's absent-minded misspelling of potato-e. Look who is throwing stones. The following is a single sentence from a Clinton speech, which sentence appears (intact) on the front page of the *New York Times*: "If you're sick and tired of the way it's been going, if you want the American people in control again, if you believe your country is still the greatest country in the world, if you think we can compete and win again, if you're tired of being heartbroken when you go home at night and you want a spring in your step and a song in your heart, you give Al Gore and I a chance to bring America back."

Al Gore and w-h-o?

Some say potatoe, some come in with the most grating grammatical mistake in the language. I say, If you want to keep the language clean and right reason on the throne, don't give Al Gore and he your vote. ☐

(Universal Press Syndicate)

THE MISANTHROPE'S CORNER

Democrazy

AT THE Japanese war trials of 1946, the defunct empire's former propaganda minister, Shumei Okawa, inadvertently made a good pun. Leaping to his feet, he screamed in his uncertain English: "I hate United States! It is democrazy!"

America can democratize anything. Imagine for a moment that we revived the "natural aristocrat" theory held by the Founding Fathers.

Somebody would go on *Nightline* and say, "Everybody's gotta right to be a natural aristocrat." Then it would start: the Natural Aristocrat Task Force, the Natural Aristocrat Resources Center, the Natural Aristocrat Hotline, the Natural Aristocrat Crisis Team, Natural Aristocrat Head Start, Natural Aristocrat Counseling, Natural Aristocrat Awareness, Natural Aristocrat Month, "Natural Aristocrat Minutes" delivered by Sally Struthers and Nick Nolte, a best-seller called *How to Help Your Child Be a Natural Aristocrat*, and articles in *Cosmopolitan* blurbed "What if He's Not (Sob!) a Natural Aristocrat?"

Or imagine that we came up with a counterrevolutionary measure called "Your Money or Your Vote." Only voters would pay taxes; everyone who gave up his right to vote would be exempt. A good deal, right? Wrong. The vote would become a rich man's toy like the early automobile. Voting would become an activity of the select few, proof that you, unlike the Joneses, can afford to pay taxes.

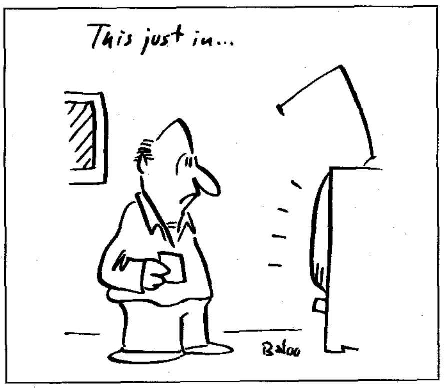
Here come the ads. A sexy blonde draped across a voting booth. A huge ballot spanning a golf-course lake: "Call this number to apply for The Vote. We'll take your application over the phone. The Vote will show them that you've arrived." A voting booth held under water: "It still works." A voting booth that goes from city councilman to President in eight seconds: "This is not your father's voting booth." A voting booth sitting in the middle of nowhere—in the desert surrounded by mesas, or peeping through a gauzy mist in the Allegheniesߞwhile a voice-over says, "This could be you. Go for it."

Meanwhile, self-sacrificing mothers keep chanting, "I'd scrub floors to send my kids to a voting booth," and Southern good ole boys save their money so they can be half the voter their daddy was. To achieve the American Dream of poll taxes for all, the amount of tax a citizen must pay to qualify as a voter gets lower and lower. This is called a "level voting field." The NAAVP is founded, along with a United Voter Fund whose slogan is: "A vote is a terrible thing not to have to pay for when you can't."

The pressure mounts until Congress passes Votefare, wherein the government gives money to people who can't afford to pay taxes, so they can use it to pay taxes, so they can vote.

If you think the foregoing riffs are exaggerated, let me remind you that several equally unbelievable adventures in "democrazy" have actually occurred and succeeded. The democratization of lesbianism, for instance.

For centuries the traditional or classic lesbian was always a spinster and often a tweedy intellectual, with a stark glamor that intrigued men and women alike. With no left-wing pressure from organized homosexuality, the traditional lesbian tended to be a conservative—or even a red-in-tooth-and-claw Tory like *Well of Loneliness* author Radclyffe Hall—because she was an elitist in the sense that elitism was defined by the Irish writer Frank O'Connor: "Yet contact itself is the principal danger, for to marry is to submit to the standards of the submerged population, and for the married there is no hope but to pass on the dream of escape to their children."



"The following anti-capitalist diatribe is brought to you by a major corporation."

This is the woman feminists destroyed when they pressured the media for positive images of lesbians.

As open enrollment struck the Sapphic elite, we got the lesbian detective, the lesbian ghost, the lesbian vampire, the possessed lesbian, the lesbian next door, the lesbian with a heart of gold, and the lesbian with cancer.

WE ALSO got the Jason's Mommy lesbian.

After her divorce, Jason's Mommy discovered not only her own potential but some other woman's as well. Having between them enough children to start a kindergarten, they decided to live together and practice family values. When some member of the big, bad Establishment threatened this happy home with a pink slip or an eviction notice, the whole ménage went on *Donahue* to tell *their* story.

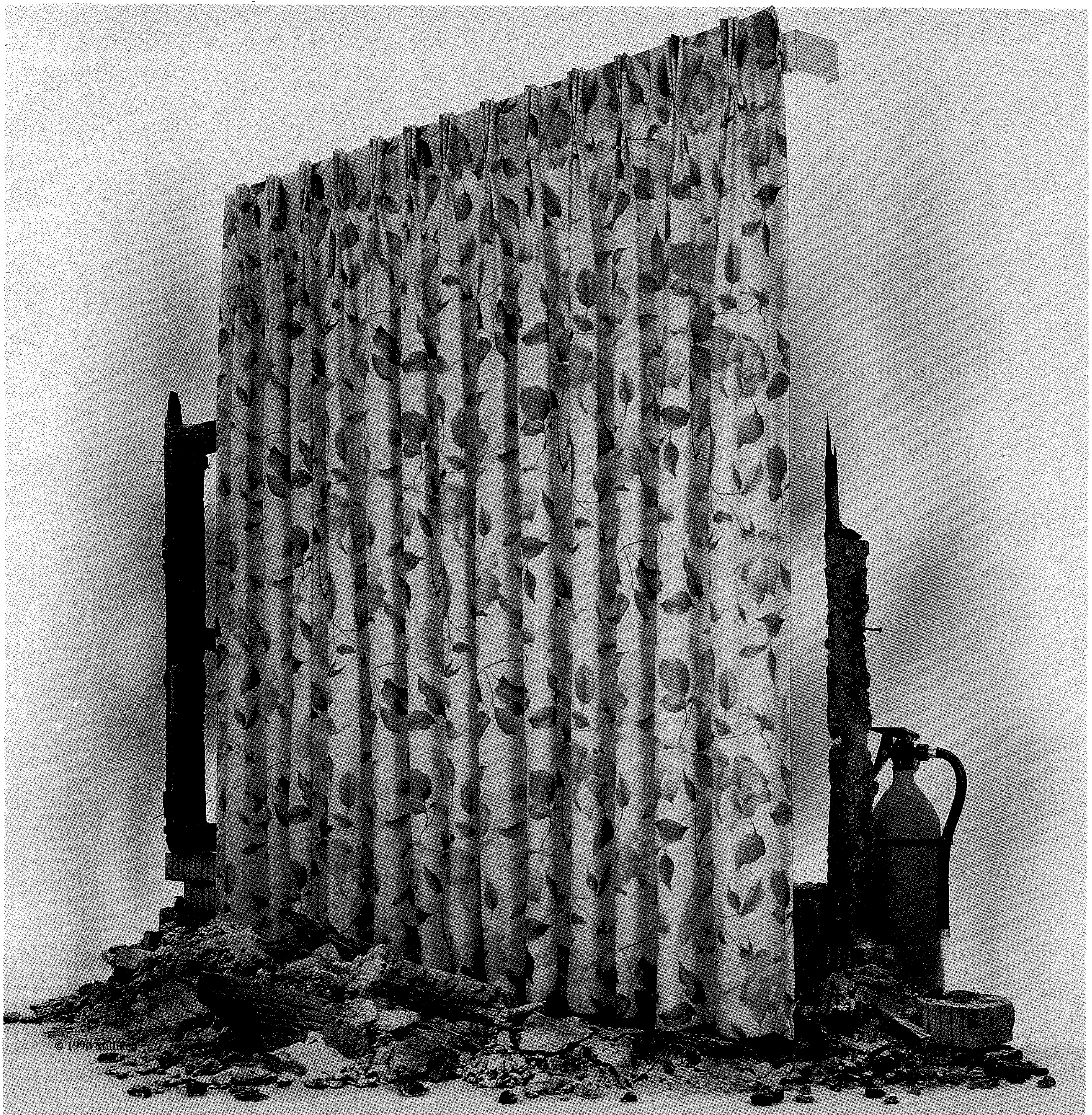
As the loathsome little Jason raced up and down the aisles, the studio audience got the soothing idea that the children of lesbians are seen, heard, nasty, brutish, and short, just like everybody else's. By the end of the show everything seemed so normal that the audience forgot that the guests were lesbians. To leave viewers smiling through their tears, Jason was given the last word, piping the fade-out with, "Mommy and Aunt Betty love each other."

The traditional lesbian is no more. In the name of "democrazy," feminists rolled her up in her tweeds, weighted her with her scholarly tomes, and threw her overboard. The last thing she heard was, "Everybody's gotta right to be a lesbian."

"The Regency," wrote Louis Kronenberger, "was a way of life at the expense of life in general." Nonsense, democracy is. Each time I see President Bush peel down to his shirtsleeves before making a speech, Beau Brummell looks better and better.

—FLORENCE KING

Miss King's With Charity Toward None *has just been published by St. Martin's Press.*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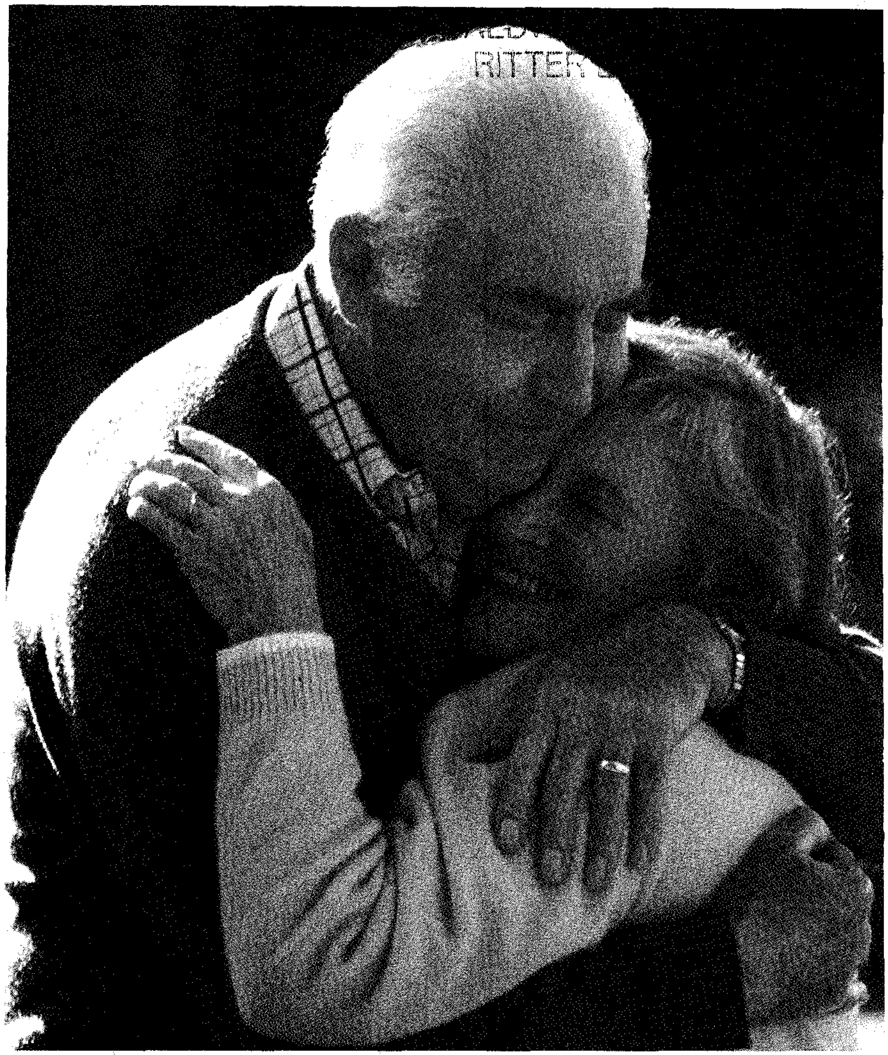

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